# The Empire Club of Canada

Founded 1903

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# Addresses
# 1989-1990

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# The Empire Club of Canada

## 1989-1990
## 86th Year

*HER MAJESTY, QUEEN ELIZABETH II*
*HIS ROYAL HIGHNESS, PRINCE PHILIP,*
*DUKE OF EDINBURGH*
*on the occasion of their 40th wedding anniversary.*

# The Empire Club Of Canada

Founded 1903

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# Addresses 1989-1990

GOD SAVE THE QUEEN

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The Empire Club of Canada
Royal York Hotel
100 Front Street West
Toronto, Ontario M5J 1E3
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| 1987-1988 | Ronald Goodall, FCA |
| 1988-1989 | Tony van Straubenzee |

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†*Deceased*

Rogers
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*SARAH BAND*
***President, 1989-90***

# The Empire Club of Canada

# PRESIDENT'S FOREWORD

A year in the life of the Empire Club is a year in the life of our country – the same diversities, similarities, successes and failures expressed in the thoughts and words of our country's leaders in politics, religion, medicine, the arts and commerce.

The never-ending search for understanding, the unquenchable desire for acceptance, the burning need for recognition and renewal are said in myriad ways by men and women famous and infamous.

In the year you see in this publication there are the words of a king, the thoughts of an abortionist, the aspirations of political leaders in Canada, and, from abroad, words of warning and advice from soldiers and industrialists, cautious words from labour leaders and educators, encouragement from ambassadors and athletes. All, the mirror of thoughts of the country's leaders and her people.

The Empire Club experience is an exciting one for its members, and has been so for almost ninety years. For the president, it is humbling in its demands for skills to match the guests rewarding when it succeeds and exhilarating when measured against the pattern of the daily moil.

I hope you will read this book with an eye for its wit, an ear for its unspoken thoughts, and a heart for its passion. These emotions are here in the words of the speakers, the women and men who are part of the Canadian fabric of greatness.

And let me not leave this page without a special reference to the magic of the evening of tribute the Empire Club helped give our Honourary Chairman. His Excellency, the Right Honourable Roland Michener, was paid a ninetieth birthday tribute by the Loyal Societies, of which the Empire Club is one. The singular honour of saluting them was given to this club. It is included here. I hope you will see in it a fitting tribute to a man and his greatness.

Sarah Band
President 1989-90.

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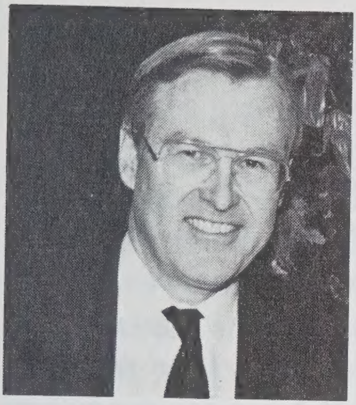

May 8, 1989

At a joint meeting of The Empire Club of Canada and The Canadian Club of Toronto

# The Hon. Michael Wilson

Minister of Finance

# THE BUDGET

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Chairman: **Joyce Kofman**
President, The Canadian Club of Toronto

**Joyce Kofman:**

It is indeed overwhelming to see so many of you here today to welcome the Minister of Finance. The question in my mind is - are you here to praise the budget or to bury it?

Mr. Wilson needs little introduction. His whereabouts and thoughts about are as much a part of the daily press as the weather reports. For the past two weeks he has been headline news. In fact, he hit the headlines prematurely and, as I understand it, wasn't able to wear his new shoes for the presentation of his budget to Parliament. A custom possibly well broken for I doubt that he will be able to afford new ones next year. As a key figure in our government, he is highly respected both nationally and internationally. He is an able member of Parliament, having been in the House since 1979 and been Minister of Finance since 1984 when the Conservative Party swept into power. He has spoken to our Clubs annually since then, following a tradition established 17 years ago by Donald Fleming.

Surely there are few more thankless challenges than the one Mr. Wilson has had to face, that of not only putting the brakes on our escalating debt, but of reducing it as well. Mr. Wilson, you have dealt many of us a bitter pill - let us hear your optimistic prognosis. When and how will we be cured of our ills?

**Michael Wilson:**

Thank you for the opportunity once again to address the members of the Canadian and Empire Clubs.

I want to talk today about the government's recent budget. This budget, more than most, is crucial for Canada's future. The reason is straightforward. One far-reaching problem stands between Canadian and the better future we want for ourselves and for our children. The problem is our large and growing public debt. The budget is about getting this debt under control. It is about what we must do - as a government and as a people - to maintain social and other programs and the high standard of living that Canadians want. It's about what we must do to respond to the challenges and opportunities of a changing world, to assert our sovereignty as a confident and mature nation, and to meet our new and continuing priorities as a people.

Canadians elected the Progressive Conservative government to provide strong economic and fiscal management. They elected us to provide leadership in responding to changing circumstances. And we are meeting that responsibility with this budget, as we have with previous ones. The world has not stood still. Indeed, the problem of our large and growing public debt requires a renewed effort to get it under control. The budget sets out our approach.

For a moment, let me outline how the debt problem developed. Only 20 years ago, Canada had an annual surplus, and our total debt after an entire century of Confederation was only $18 billion. The cost of servicing our debt was well within our means. That conservative approach to our finances was the traditional Canadian way. Soon thereafter, the problem began with yearly deficits. The deficits grew in size year after year.

By 1984, the $18 billion debt had risen to nearly $200 billion. And the annual deficit was more than $38 billion. By then, Canada had built into its public finances a self-propelling force that threatened to undermine our valued reputation for fiscal prudence and responsibility. Today, in spite of regular reductions in our annual deficits, the debt is over $320 billion and rising by more than $80 million a day.

Behind the growth of these numbers was a particular, disturbing pattern. In the 15 years prior to 1984, government spending grew rapidly, from about 17 percent of the national income to well over 24 percent. During the same 15 years, revenues fell from 17 percent of national income to just under 16 percent. While tax rates increased, revenues were adversely affected by a narrowing of the tax base as a result of the introduction of a number of tax breaks and preferences as well as by the 1981-82 recession.

This widening gap between expenditures and revenues translated into snowballing deficits and today's debt problem. Put simply, we as Canadians were not paying our way for the services we were receiving from government. The reality of a debt that is large and growing is that it places a nation on a treadmill. Each year, added effort is required from Canadians to produce new revenues that merely go to pay the interest on a growing debt. Let's be clear about what it means if we continue, year after year, government after government, to borrow and borrow just to pay debt interest. We would be borrowing from our children, not paying our own bills. It's easy to borrow from future generations because they have no say in the matter. They have no vote. Yet it is they who would have to live with the consequences if we did not act. The question all Canadians must ask themselves is this: should this enormous debt be our legacy to future generations? The government's response, and the budget's message, is a resounding "No".

My budget builds on the actions that we have taken to control the debt since we came to office. During the past four-and-a-half years, we have achieved a much better balance between expenditures and revenues. To do this, we eliminated programs that had outlived their usefulness. We cut waste and improved the efficiency of government. Total spending on government programs dropped significantly as a proportion of national income. We have held the growth in program spending to 3.5 percent per annum, less than the rate of inflation. We broadened the tax base by eliminating tax breaks for business and high-income individuals. And, yes, we increased tax revenues. We reduced the annual deficit so that it has dropped sharply as a proportion of national income. As a result, in the year ended last March 31, the deficit was $28.9 billion, almost nine-and-a-half billion dollars below the level of 1984-85.

Our program of fiscal action has been carried out as part of a comprehensive, long-range plan first set out in November 1984. Its purpose is to build the economic strength essential in a fast-changing and increasingly competitive world. Starting in 1984, we built a strong foundation on which Canadians could achieve their economic potential. We modernized the regulatory environment for business. We reformed the federal income tax system. We negotiated the Canada-U.S. Free Trade Agreement. We encouraged research and development and improved job training programs. Reducing the deficit is an integral part of this broader economic program. Together with responsible fiscal actions, our economic measures created a climate in which Canadians could face the economic challenge of an increasingly competitive world. And the record shows just how well Canadians responded.

Since 1984, Canadians have created one-and-a-half million new jobs and our economy has expanded faster than most other industrial nations. We made this progress together as a government and as a nation because we made tough choices and took strong actions to deal with our fiscal and economic problems. But that progress is at risk because of rising inflationary pressures here and in other countries. In response to these pressures, short-term interest rates have risen. These in turn are driving up the cost of paying the interest on the public debt. Let me put that in perspective: This year, just to pay interest on the debt, it will take all the personal income tax paid by Canadians from January to mid-October.

I know that people right across Canada are frustrated by high interest rates. Some suggest that interest rates should be lowered by decree. But interest rates do not rise in isolation from other economic forces and they can't be made to fall that way either. To try to deal with the symptoms of high interest rates rather than the fundamental causes would be self-defeating and ultimately very painful. Printing money has never brought lower inflation. High inflation always leads to higher interest rates.

We mustn't forget the economic problems of the early 1980's: the shattering of economic confidence; the collapse of economic growth and employment in every region of Canada; and above all, the enormous damage inflicted on the lives of millions of Canadians.

If we did not act now, we would face the growing danger of a vicious circle of higher inflation and even higher interest rates that could lead to a severe recession.

The important point is, we **are** acting. My budget is designed to avoid a recession. We have made choices, difficult choices. We have worked to ensure that the total package of budget measures is balanced across sectors and regions, placing the greater burden on those who are better able to carry it. The reductions in program spending announced in the budget will have a significant impact on our efforts to control the public debt. When fully implemented, these spending reductions will total about $2.5 billion a year.

Some commentators have said we didn't go far enough in cutting spending. But let's look at the facts.

In this budget, we made major reductions in spending on defence, Official Development Assistance, business subsidies and other transfers, payments to Crown corporations, and the operations of government. These reductions, together with previous restraint measures taken by this government, affect virtually **all** government departments. None was easy. Many have a very real impact. For that reason, the reductions should be a pretty clear indication to Canadians that we do have a very serious debt problem that required serious action.

As a result of spending reductions in this budget and earlier budgets, program spending has declined from 19.5 percent of GDP five years ago, to 16 percent this year as this budget takes effect. By 1993-94, it will fall further to just over 15 percent, the lowest level in a quarter of a century. Think carefully about those numbers when you are assessing the scope for spending reductions. Let me put it another way: if we had maintained program spending this year at the same share of the economy as it was five years ago, spending would be $22 billion higher. Let me give you another measure of spending control. Over the past four years we reduced the costs of running the government - in effect our overhead - by $1.3 billion in absolute terms. We cut over 10,000 positions from the public service, reducing it to the size it effectively was in 1973. By 1993-94 the level of spending on the operations of government will be 25 percent lower in real terms that it was in 1984-85. This is record many businesses would be proud to call their own.

In addition to spending reductions, increased revenues through higher taxes are also essential to control the public debt. The revenue measures in the budget are designed to weigh more heavily on taxpayers with the means to contribute. They are balanced among the major revenue sources, including the corporate sector, personal income tax, and sales and excise taxes. Taken together, the spending and revenue measures in the budget will amount to more than $5 billion this year and $9 billion next year. This year they will almost offset the rise in interest costs and leave a deficit of $30.5 billion next year. With the budget measures, the deficit is projected to drop to $28 billion next year.

The debt-to-GDP ratio will stabilize next year. The debt will stop growing faster than the economy. This will represent an important achievement. After that, the faster growth of the economy will reinforce our efforts to control the debt and reduce the interest burden. The result is that in five years the deficit will be cut in half. But on the basis of how budgets are prepared in the United Kingdom and the United States, we would have a balanced budget. In other words, current revenues would be sufficient to finance current consumption **and** service the debt. We would then have a zero cash requirement. This would mean that we would no longer be passing on the bill for our current consumption to future generations. So I want to take issue with those who, in one moment, criticize us for allowing the debt to grow and, in the next breath, criticize our efforts to reduce the annual deficit. They are simply distorting the facts. The only way to stop the debt from growing is to have a balanced budget. So, to those who say our debt is too high, I say you owe Canadians a realistic package of alternative policies to reduce the deficit.

Ladies and gentlemen, this budget has a clear economic objective. It will help reduce inflationary pressures and provide the Bank of Canada with the scope to reduce interest rates more quickly than would otherwise be the case. Let me repeat, the budget will help us avoid a recession - by helping to moderate demand and keeping the economy on a course of sustainable growth. A healthy economy is necessary to achieve our economic potential in the years ahead. It will provide more and better jobs and the ability to meet the social and cultural priorities of Canadians.

For the longer term, we will continue to build the foundation for economic progress by moving forward with a balanced agenda of fiscal and economic action. We will move ahead with many important economic initiatives, such as the final stage of regulatory reform of the financial sector, privatization of suitable Crown corporations, and implementation of our new labour force development strategy.

In this regard, the budget also reaffirmed our plan to replace the existing, outmoded federal sales tax with a new and modern sales tax system. The new Goods and Services Tax - or GST - is a key element of our strategy to safeguard essential programs, strengthen the economy, improve our competitiveness, and achieve revenue stability. As I indicated in the budget, the Goods and Services Tax will replace the existing federal sales tax on January 1, 1991. It will be imposed at a rate of 9 percent on a very broad base, including the vast majority of goods and services consumed in Canada. Basic groceries, prescription drugs, and medical devices will not be taxed. Residential rents, day care, legal aid and most health, dental and educational services will be tax-exempt.

Sales tax reform will make the system fairer by introducing a new Goods and Services Tax Credit. The GST Credit will substantially increase the current sales tax credit. It will more than protect low-income earners. The government's goal is to assure that families earning less that $30,000 per year are better off as a result of sales tax reform.

An important goal of comprehensive sales tax reform is to ensure that the GST is as simple as possible for businesses to comply with. Special measures will be adopted to minimize the compliance burden for small businesses in particular, including raising the small traders' exemption threshold, reducing the frequency of tax calculation, introducing simplified accounting schemes, and compensating small businesses for collecting the tax. We will be consulting with the small business sector in elaborating these and other simplifying measures.

In summary, sales tax reform will provide a more stable foundation on which the government can maintain vital public services and effectively manage the problem of Canada's debt. It will bring an overall improvement in the fairness of the tax system. It will make federal sales taxation more visible to the consumer. And it will result in major gains in economic output in the range of $9 billion a year - gains that will be felt in all sectors of the economy and in all regions of Canada.

I said at the outset that this budget is about Canada's future. As Canadians, we want a Canada that is able to protect and strengthen the fundamental values that define us as a nation. Let me paraphrase the recent Speech from the Throne. We want:

- a Canada which is caring and compassionate, with the capacity to maintain the social and cultural programs and other important public services that Canadians need;

- a Canada, economically strong and fully competitive with the world's trading nations, that continues to create good jobs and opportunities for all its people into the 1990's and beyond;
- a Canada, progressive and adaptable, able to meet priorities such as skills training and the protection of our environment;
- in short, a Canada that can guarantee a rising standard of living and a better quality of life to pass on to the next generation.

That is our duty as a government. That is our obligation as responsible managers. That is surely our goal as Canadians. This budget helps us achieve that goal. The combination of actions set out in the budget will help us safeguard the kind of Canada we want to leave to our children and our grandchildren.

The appreciation of the meeting was expressed by Sarah Band, President, The Empire Club of Canada.

**Sarah Band:**

Madam President, Mr. Minister, Mr. and Mrs. Wilson, honoured guests. Let me first thank The Canadian Club for the wisdom it has shown today in inviting a great Canadian to speak to us. No other person in our country has demonstrated the care for his country and willingness to work for it that Michael Wilson has. Let me express my appreciation for the way he has tried to make our country better for all of us. Thank you for that Michael.

I could stop there, however the relationship that I've had with Michael Wilson goes a lot further than that, and I welcome this opportunity today to publicly thank him. My admiration for our speaker is totally apparent, partially because I share a very small responsibility and a very large degree of pride in getting him out of the Bay Street closet and into the Ottawa Cabinet.

When I was first introduced to Michael it was to encourage him to enter politics. When I called I was told he was at home with a strained back. My immediate reaction was to identify the prospective candidate as a stockbroker with a weak back. Today he has shown us that he has a very strong back. He rose from his bed of pain and swept to victory. Michael Wilson is now the longest serving Finance Minister in Canada and, in spite of those who would insist that's because he has taken a long time to learn the job correctly, he is the first to have addressed the critical fiscal emergency in which we find ourselves today.

Today you have had the opportunity to see the Michael Wilson I know and admire. He has given us medicine that is hard to take, but with true compassion. His choice of career was made with the same concern for others that he has shown today. Michael, on behalf of The Canadian and Empire Clubs, and of course myself, please accept our sincere thanks for your contribution to Canada and for expressing your concerns so eloquently to us today.

Thank you.

June 28, 1989

At a joint meeting of The Empire Club of Canada and The Royal Commonwealth Society

**Canada Day Celebration**

# Ed Mirvish

Entrepreneur

## HOW I BECAME AN OVERNIGHT SUCCESS IN SEVENTY-FIVE YEARS

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Chairman: **Sarah Band**
President of The Empire Club of Canada

### Canada Day Message from Lieutenant Governor Lincoln M. Alexander

As representative of Her Majesty the Queen in the Province of Ontario, it gives me great pleasure to extend greetings to everyone attending the special luncheon at the Royal York Hotel on June 28, 1989.

I very deeply regret having to rescind my original acceptance of the kind invitation to attend the luncheon. My participation at a luncheon on the occasion of a state visit to Ontario prevents me from being with you.

On July 1st, Canadians in a variety of ways will celebrate 122 years of progress, growth and stability. All of us should be mindful of the challenges and opportunities of the present and of the excitement, hope and peace which the years to come will bring.

I would at this time like to commend the members of The

Empire Club of Canada and The Royal Commonwealth Society who, by their Canada Day luncheon, endeavour to engender participation and patriotism in the celebration of our country's birthday.

I am delighted to extend happy 122nd birthday and every best wish to all for an enjoyable and memorable Canada Day luncheon.

**Introduction: Sarah Band**

Honoured guests, members of The Empire Club.

It is a very great pleasure, although a daunting task, to welcome our guest today. In preparing my notes to introduce Ed Mirvish, I faced comparison with the accolades which accompany Royal Orders, business citations and journalistic profiles in the nation's news magazines. What then remains to be said of a man so famous?

I'm sure there is a lot more to come from Mr. Mirvish, but in the meantime, I would like to touch on some of his achievements. The Order of Canada recognizes his wonderful contributions to this country. This country whose 122nd birthday we celebrate today. Ed Mirvish has made a landmark contribution to the arts in Great Britain and his rank of Commander of the British Empire acknowledges that gigantic achievement.

There remains only his Doctorate in Law, recognizing support for his favourite university and, of course, his achievements in business.

As a shopkeeper myself, beset by the challenges of finding merchandise and keeping customers happy, I am not just impressed, I'm overwhelmed by the success of his Bloor/Bathurst St. store. Mine in Yorkville has – well – less success than that.

Our speaker today is a leader of our community, a man recognized by royalty for his leadership in the arts, a man of letters, and an outstanding Canadian merchant. I find it difficult to say more, so I will close with perhaps the most famous remark I have ever heard about this great Canadian. It is attributed to a Londoner who was asked about the man who had just purchased Britain's most famous theatre. When the BBC asked this man to comment on the newcomer, he said: "Well, I don't rightly know the chap, but any man with 'Honest' in front of his name, I'd **watch** him!"

Ladies and Gentlemen, it is my pleasure to introduce the man all Canadians love to watch, the man with 'Honest' in front of his name; Ed Mirvish.

**Ed Mirvish:**

Madam President, honoured guests, members of The Empire Club, members of The Royal Commonwealth Society, ladies and gentlemen, I would like to thank you for inviting me here this afternoon and for giving me the pleasure of speaking to you.

It is always a privilege to express ones viewpoints before a distinguished audience. I would like to remind you that your ticket this afternoon cost $18 – $17.75 is for the lunch – the other 25 cents is for my talk.

My talk is titled "How I Became An Overnight Success In Seventy-Five Years".

What a wonderful way for me to be able to celebrate "Canada Day" and to express publicly how fortunate we are to be living in Canada. I am always aware that there is a great element of luck in all our lives. We are lucky to be living in a country that offers us the opportunity to grow. I am certain that there are many areas in this world that no matter how hard you might strive and work, and no matter how much ability you may possess, you would never be able to elevate yourself. There are countries where you could be forced to live with poverty and hardship from the cradle to the grave. We are so lucky!

Canada has allowed me the freedom to work, express myself and develop. In spite of little formal education and very limited or practically no financial base it has been possible for me to go from Dundas Street to Buckingham Palace, and it has been a nice trip all the way. This great country of ours has given me this chance.

I would like to speak to you about my 27 years of involvement in the world of theatre and also my almost 40 formative years prior to acquiring the Royal Alexandra Theatre.

When I tell our son that I started working at the age of nine, he wants to know what I did before that? Was I a bum? So I do not belabour the point. I was a school dropout at age 15. I must say that up until 27 years ago, I did not consider myself a theatre-goer. My wife, Anne, has always been passionately interested in theatre, music and art as her family was before her. In fact, as a teenaged vocalist, Anne had been singled out by

Percy Faith and has also studied art with Hortense Gordon from "Painters Eleven". Through my wife's influence our son, David, was exposed to these art forms from very early childhood with very positive results.

But prior to acquiring the Royal Alexandra I was basically a storekeeper enjoying the retail merchandising experience. Nevertheless during the early years of our marriage my wife did persuade me to go to concerts and art shows occasionally and, although I did not appreciate it at the time, in retrospect I am sure it was good for me. I remember the first year of our marriage when my wife had me attend a symphony concert at the Varsity Stadium. It was a sweltering hot summer evening with the temperature ranging 90 degrees fahrenheit. I had put in a full day's work and, as we did not own a car at the time, we boarded a Bloor Street car, jammed with sweltering crowds of people. At the stadium we sat on hard benches right behind the drums and percussion section of the orchestra. When they started to play Beethoven's Fifth right in my ear I can tell you our first year of marriage almost did not make it to a second year.

I remember going to an art show with my wife at the Museum Of Modern Art in New York City. Looking at a mattress that was split open and nailed to the wall, I saw the stuffing and springs were all jumping out of it. I stared at this mattress in disbelief and finally turned to my wife and said, "Is this art?" She answered "Did you think of it?". No, I didn't think of it, but with a little thought, I could do better than that! When I arrived back in Toronto that "Mattress" really bugged me.

At that time I had a factory, Edmir Moulding Corporation and Toronto Engineering Co. which made moulds for the plastic trade. I had this idea that I would go to the junkyard and find pieces of machinery, give them titles and ship them off to some city like Chicago where no one knew me. I would pay an art gallery to give a show to this unknown, undiscovered businessman who was a sculptor. I was curious to see how the critics would receive my 25 or 30 pieces of art.

To test my idea I made two sculptures. One was part of a governor off a machine. It consisted of spheres that swung around on two arms. I tempered and polished them to a cold shiny blue and mounted this sculpture on a large green marble base. I then attached a fancy brass nameplate to this work and called this sculpture "Cold Frustration" by Ed Mirvish. My second work of art was a very complicated piece of machinery from some farm equipment. This I mounted and called "Chaos". At this particular time we had just opened the Poor Alex Theatre at Bloor Street and Brunswick Avenue. I placed the two sculptures in the theatre lobby on the opening night of a new show. I was looking forward to getting some reaction or feedback from the public regarding my work. My wife attended this opening with me and, after taking one look at my art, she phoned our son David who was in New York at the time. He was arranging his first art show for his new art gallery. She told David that his father was "ridiculing art" and advised him to get me to remove my creations from the public view. Mind you, one of the patrons showed interest in my art. I probably could have sold it. To end this story, the sculpture was removed and I still think it was a good idea that never saw the light of day! This was only one of the many ideas that I have had over the years that were never proven right or wrong.

In 1962 the Royal Alexandra theatre, which was built in 1907 and recognized by Show Business Magazine of New York City as one of the finest theatres on the North American continent, was offered for sale. The executives of the estate decided that if it could not be sold as a theatre it was to be demolished and the land used for some other development. There were no buyers in 1962 until I came along. Not knowing or understanding the theatre business, I saw this historic building as a terrific bargain. Which it was.

I had no problem making the purchase. One of the conditions of the sale was that I was to keep it open as a legitimate theatre for a minimum of five years. After this period, if I could not sustain it as a theatre, I could use the building and property for whatever use I chose.

Because this theatre was dark most of the year prior to my acquisition, the bare minimum had been done to maintain it. A considerable amount of restoration was necessary. My intentions were to try to keep it open and alive as a legitimate theatre. To give myself a fighting chance I felt I had to restore this theatre to its original beauty and splendour. To accomplish this I had to spend more than double the cost of the price I had paid for this property. I must say I received excellent value for my money. The architects were Alward and Quinlock and Herbert Irving was the interior decorator.

The first lesson that I learned about owning a theatre was the fact that as long as you keep the theatre locked up you know exactly how much it costs you every week. Once you open the door and put a production on the stage it could be risky to the point of putting you in bankruptcy. By the end of our fifth year of ownership of the Royal Alex the figures were such that we were breaking even or making a small profit. Even more importantly I had developed an affection for theatre.

Although we are now in our 27th year of being involved with the Grand Old Lady of King Street, I am always aware that this is a high risk and highly volatile business. A business about which you can never get smug or over-confident. When it works it is most rewarding and satisfying. It has introduced me to another world and to many interesting people. For the first 20 years of my ownership of the Royal Alex I would, from time to time, voice my complaints about the unpredictability and aggravation of the theatre business. Then suddenly I announced that I had bought the Old Vic theatre in London, England. People close to me just shook their heads.

On June 8, 1982 a lawyer friend of mine named Bert Stitt, who had been involved with our original purchase of the Royal Alex 20 years earlier, drew my attention to an ad that said the Old Vic theatre was up for sale to the highest bidder. Closed bids had to be in the hands of the Old Vic trustees not later than June 11, 1982 - 72 hours away. Bert, my lawyer, said that he was aware that I had never branched out and over the many years my business had been confined to the area of Bloor and Bathurst Street or the area of King and Duncan Street. Nevertheless the lawyer wanted to make me aware that this world-famous historical landmark was available.

As of this time I had never seen the Old Vic. Over the years many shows from England had played our theatre in Toronto. With these shows came world-famous actors. Among them were Sir Ralph Richardson, Sir John Gielgud, Peter O'Toole and others. I would hear stories from these actors about their early days of training at the Old Vic. Stories of how Emma Cons and Lillian Bayliss had made the Old Vic the national theatre of Great Britain. I only had a few hours to decide, but I thought to myself what a great privilege it would be to be a part of this famous theatre and its long history. The Old Vic was built in 1818 – one of the oldest theatres in London.

As there were only three short days left and I did not want to depend on the mails I decided to fly a lawyer over with my offer to ensure that the documents would reach the trustees by June 11. My offer was delivered on time and the new owner was to be announced by June 25, 1982. On June 23, 1982, I received a cable saying that I was the new owner. I had outbid Andrew Lloyd Webber, one of the world's most talented and successful composers and producers and Trevor Nunn, one of the world's great directors. I was now the new owner of the Old Vic theatre.

I have always felt that one of the greatest needs that people have is the need for change. You don't want life to get dull, dull, dull. I guarantee you that when you step into things you don't know too much about you get a lot of changes and surprises.

On my first trip over to England, when I gave the trustees the check for payment of the theatre, I was surprised to find that a large five story building almost as large as the Old Vic and standing next door adjacent to my newly acquired theatre came with the deal. I could almost smell roast beef. That was a nice surprise.

The immediate reaction of the general public was relief that the Old Vic would continue as a theatre. But there were doubts about a foreigner named Honest Ed taking over this historic landmark. I mentioned that I was no foreigner, "I was just a lad from the colonies".

On my first trip over to England, I recall a T.V. crew outside the Old Vic theatre interviewing passersby at random. They asked one man what he thought of a Canadian called Honest Ed owning the Old Vic? He answered, "Anybody called Honest Ed, I wouldn't trust him, I'd watch every move he makes". This remark went over the air all over Great Britain. These remarks are understandable. Over a quarter century earlier when I bought the Royal Alexandra, although many people were happy that this theatre was safe for the time being, many were concerned with what I would do with it. They did have qualms. Frankly, in the early years I was often tempted to put vending machines on the back of the seats and sell toothpaste and razor blades. I am glad I resisted.

To get back to the Old Vic. In my subsequent visits, once the people saw that I was sincere in my intentions to restore this important historic theatre, they were most gracious. The very nature of theatre is such that it is often 90 percent talk, and 10 percent reality. It is understandable that people should have doubts. I can only say that I feel privileged and grateful to be a part of the Old Vic theatre. It has opened up a whole new world for us and made accessible the European theatrical scene.

For the first 23 years at the Royal Alex and our first three years at the Old Vic we had always bought touring road shows from either Great Britain, the United States, or other parts of the world. For the past three years in both theatres, both in England and in Canada, we are now producing our own shows. There is a time for everything. In recent years, (for whatever the reason) we thought that the travelling road shows were deteriorating. It could have been the economic changes in theatre or the "star" system.

"Big Name" actors do not want to commit themselves to long term contracts on the road. They want to feel free and open to movie contracts that may present themselves. These film contracts are always more lucrative and less demanding. In producing our own shows on both sides of the Atlantic I believe that we are moving in the right direction. Our subscription lists in both theatres are at an all time high.

Without the direct involvement and dedication of our son, David, this could not have happened. David is completely responsible for all of our productions and is doing a wonderful job. He has created a production office here in Toronto of very bright, intelligent, talented and capable young people. In England he has managed to engage Jonathan Miller, one of the worlds great directors with a long history of productions, both in drama, musicals, and opera. Dr. Miller is now in his second year with us as artistic director of the Old Vic. He is truly a renaissance man.

David has also backed the English Shakespeare Company together with the Irish National Bank and British Arts Council. The first English Shakespeare Company productions under our sponsorship were the three Henrys - Henry IV Part I and Part II and Henry V. The second production under our sponsorship was the complete 100-year War of the Roses, Shakespeare's great history cycle. In two different seasons both of these Shakespearian series played our Old Vic theatre.

The War of the Roses played seven weeks at the Old Vic including a "Survivors' Weekend". You could purchase all seven plays (with one ticket) and see them all in one weekend. One hundred years of continuous history. One show Friday evening, three shows Saturday from 10 a.m. to 11 p.m. and three shows Sunday from 10 a.m. to 11 p.m. – 23 hours of continuous Shakespeare. These weekends were completely sold out.

In addition to the Old Vic these productions played eight other United Kingdom venues, the Hong Kong Festival, the Globe Theatre in Tokyo, the International Theatre Festival in Chicago, the Stamford Festival of the Arts in Connecticut and the Berlin Cultural City of Europe '88 Festival. They also toured the Netherlands, West Germany, East Berlin and Singapore. This must be the most ambitious tour ever undertaken by a large-scale independent British company (50 people). The company travels with more than 600 costumes and 2,500 props. By the end of the three-year cycle the English Shakespeare Company will have taken the Henrys and the War of the Roses to four continents and visited some 44 cities world-wide.

We are privileged to have been a part of this. The Old Vic under Jonathan Miller's direction has taken five Olivier Awards, England's equivalent to the Tony's in America. We have won more awards this year than any other theatre in England either subsidized or unsubsidized. This is hard for me to say because, boy, I hate people who brag!

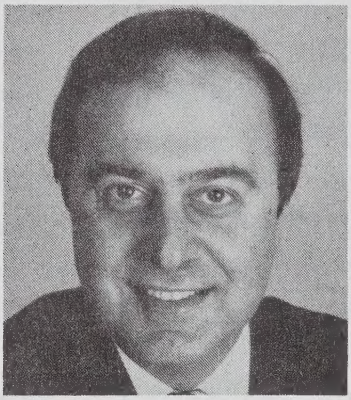
A little more than two years ago we had to make a very serious decision. Over many years our subscription series has always been a very important part in the success of Toronto's Royal Alexandra theatre. Every year we would offer our subscribers a package of seven shows. Each show would play a minimum of six weeks. These seven shows would fill out our year. When the opportunity to produce "Les Miserables" presented itself we had to accept the fact that this show would disrupt our subscription season. It was a very hard judgement to make but we felt that we could not pass up this very important phenomenon in the theatre. From the many subscribers' letters that I have answered over the years I know that had we not produced "Les Miserables" many of our subscribers would have complained that we were not getting the important shows. We have a responsibility to keep the Royal Alex open 52 weeks a year. It would be especially nice if we could please everyone. Our subscribers' seats will always be protected and returned to the original owners when the subscription resumes. There are so many more plans that we have for the future and things that we are doing at present, but because you have been more than generous with your time I do not want to keep you here for another 23 hours.

An interviewer once asked me what I would like on my tombstone and how I would like to be remembered. I replied that I was not that interested in tombstones and cemeteries altogether. I said I would like to erect a huge throne in the centre of Honest Ed's retail store. I would then like my body cremated and the ashes put in an hour glass. I would then like someone sitting on the throne to keep turning the hour glass up and down, up and down, and the employees would point to the hour glass and say, "There's Ed. He's still running!" That's the way I would like to be remembered.

I would like to thank my wife, Anne, and son, David, our family, and our over 1,000 employees who always help to make me look good. In the final analysis we are all just caretakers and custodians. We cannot take anything with us. If sometimes the things we have done give some enjoyment to others it makes everything worthwhile.

Thank you.

The appreciation of the meeting was expressed by BGen. Stephen F. Andrunyk, Chairman, Toronto Branch, The Royal Commonwealth Society and a Past President of The Empire Club of Canada.



September 28, 1989

## The Hon. Joseph Ghiz
Premier, Prince Edward Island

# CANADA. A VIEW FROM THE REGIONS

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Chairman: **Sarah Band**
President

**Introduction:**

Honoured guests, members of The Empire Club, ladies and gentlemen. It is my great pleasure to introduce our guest today.

This is a time when our country is seeking stature among nations of the world. It is also a time when our people are struggling with a crisis of domestic identity. In this environment it's a rare privilege to meet a Canadian who has given over his professional career to the goals of our people, as a nation and a community of provinces.

Prince Edward Island's place in history as the cradle of Confederation is well respected and revered. The care of Islanders for other Canadians, "mainlanders" they call us, is the stuff about which plays are written and songs sung. But woe betide the historian who mentions that Islanders, having welcomed the planners of Confederation, stayed out of the union for the next nine years.

Our guest today knows the regard in which his Islanders are held. The thousands of us who visit his province every year are testimony to the Island's history of hospitality and our appreciation of it. But, even more exciting, is to see the rebirth of the Island's concern for Canada's growth as a nation.

Under Joseph Ghiz, the province has taken the role of supporter of issues which make Canada stronger. This is no surprise to those who know Mr. Ghiz. He is a graduate of Dalhousie University, with degrees in both Commerce and Law. Mr. Ghiz practised law in Charlottetown. Then he took a sabbatical year to earn his Master's degree at Harvard. His vision of Canada's future and Prince Edward Island's place in that future has helped him become the youngest leader of a political party in Canada, and the premier of his province. Mr. Ghiz has brought credit to the office of premier, and wisdom to the councils of our nation.

It is with great pleasure that I introduce him to the members of The Empire Club today. Ladies and gentlemen, the Honourable Joseph Ghiz, Premier of Prince Edward Island.

**The Hon. Joseph Ghiz:**

Ladies and gentlemen of The Empire Club. It is a distinct honour to be with you today. This podium has been graced by some of Canada's most illustrious public figures over the years, individuals whose love of country far exceeded their own careers and personal aspirations. In a humble and sincere way, I wish to follow in their tradition. I love Canada, as I know you do, and my address to you is in a spirit of national purpose and unity.

As the premier of Canada's smallest province, I share with my fellow Islanders a particular view or interpretation of our country, one that I would like to speak about today. You might call it a view from the regions. It is a view shaped by history. The Charlottetown Conference of 1864 has accorded Prince Edward Island a special place in the nation's political and constitutional development, and Islanders continue to look at their country in a serious and rather circumspect way. When you help to give birth, the health and welfare of the offspring is always of great interest.

The Island view is also shaped by what I will call the forces of post-Confederation colonialism, by the experience of a small rural society at the "periphery" of centralized wealth and political power. The geographer, Cole Harris, has described Canada as an archipelago - a family of autonomous islands within a common sea, each having its own distinct identity, yet each contributing to and drawing from the identity of the whole. Now, coming from Canada's only genuine island province (forgive me Newfoundlanders), I will admit to being rather fond of that analogy. But, my own island bias aside, the image which the analogy evokes is a powerful one, an accurate one, and, I think, a positive one. I want to return to this idea of Canada as a "pluralistic" state, but first let us look closely at where Prince Edward Island, indeed Atlantic Canada, fits within the national scheme of things. There are two decidedly different schools of thought here. There is what I will term the "basket case theory", commonly endorsed by those outside the region, which sees Atlantic Canada as an habitual charity case, damned by accident of history and geography to a position of economic and political dependency - a drain on the rest of the country.

At the other end of the spectrum there is what I call the "conspiracy theory", endorsed by some inside the region, which sees Atlantic Canada as victimized by an insensitive and avaricious central Canada, intent on keeping the region in a perpetual state of fiefdom - so that they in central Canada can thrive and prosper, in part at our expense.

I submit that neither of these interpretations is accurate. Let's examine the history. I'm sure I won't shock any of you when I say that the Canadian Confederation was not a marriage made in heaven. Despite our best attempts at revisionist history writing, there was nothing particularly "noble" about the way Canada was united. In fact, one Canadian humorist has cynically suggested that no province joined Confederation until they were assured that they could get more out of it than they had to put into it. Perhaps that explains the long and protracted process of Confederation itself, which began in 1867 and, many would argue, has not yet ended.

In relative terms, the economy of the various Atlantic colonies at the time of Confederation was thriving. The region's position on the Atlantic seaboard meant that it was favourably situated to take advantage of trade with Europe and the Boston states, especially in primary resources like lumber, fish, and agricultural products. That fact is well documented. What is less documented, however, is the fact that Atlantic Canada was also the home of a sizable manufacturing and processing industry. Maritime historians have shown that in the early 1880's Nova Scotia's per capita growth in manufacturing was greater than that of Ontario and Quebec. A disproportionate number of steel mills, cotton mills, glass works, sugar refineries, and other factories were also located in the Maritimes. In addition, we founded several national financial institutions and banks - one of which (symbolically at least) still celebrates its Maritime roots, (although in a rather cruel twist of irony, policies for Maritime branches are now set here in Toronto).

Prince Edward Island, saddled though it was with a large railway debt, was enjoying its own "golden age" in the last half of the nineteenth century. Trade with Great Britain, the United States and the West Indies was brisk and unfettered. We had a thriving shipbuilding industry. And local manufacturing was busy providing consumer goods to a relatively cash-rich economy. It was Confederation, the "conspiracy theorists" claim, which brought this all crashing down on our collective head. Are they correct in their claim?

Well, yes - in part they are correct. But there is no direct cause-and-effect relationship between the arrival of Confederation and the departure of the so-called Maritime golden age. A closer examination of the Atlantic economy reveals that much of the region's success was based on trade in goods which were quickly losing their value in a modernizing world - a world that was moving along the path from mercantilism to capitalism.

No. Confederation was not the culprit. There was no conspiracy on the part of central Canada to subjugate Atlantic Canada. No. It was not the conscious, intended policy decision of the central government to keep the region poor.

Nonetheless, that was precisely the effect of a series of federal government policies, beginning with the national policy of 1879, which slowly but inexorably led to the dismantling of the Atlantic regional economy and the strengthening of the central Canadian economy.

I think there is a very subtle, yet important, difference in my interpretation of Canadian economic history and that of the conspiracy theorists. To borrow a phrase from the law (and a pretty good movie), the difference is the absence of malice. Put simply, the centralization of people, power, and money is a natural phenomenon which has occurred and continues to occur in all modern capitalist economies. Contrary to what some Maritimers believe, there are no greedy barons of business who meet every Thursday at the Empire Club to plot and scheme against the poor and powerless. No. The truth is, such detailed planning is not required on their part. The under-development of peripheral regions like Atlantic Canada rolls on, quite naturally, without the slightest intervention from the central business elite. No. Plotting and scheming is not required, for complicitous in the under-development of Atlantic Canada, complicitous in the persistence of regional disparity are the very same national political institutions which have been set up to protect us.

Let me be more specific, and point the accusing finger at three of our national political institutions in particular: the electoral system, the party system, and the Senate. Each of these decidedly democratic institutions has contributed in a negative way to the current status of Atlantic Canada within Confederation.

Allow me to explain. In the early years following Confederation, Atlantic Canada's political strength in the new federal government approached that of Ontario and Quebec. The population of the Maritime provinces was not only stable, but growing. Slowly but surely, however, the balance of power began to shift. The rapid industrialization of Ontario and Quebec served as a magnet, attracting more and more people. Increased population, of course, meant larger markets, and this in turn served to attract more industry. Meantime, the cycle of de-industrialization and de-population was accelerated in the Maritimes. In a nation where the democratic principle of representation by population prevails, "population" translates in "political power". The result is that politicians and political parties scramble to satisfy the greatest common denominator, and in so doing initiate even more "national" policies and programs which strengthen the central Canadian economy at the expense of the other regions. Unfortunately, ladies and gentlemen, things are not getting any better.

In the past year alone Atlantic Canada has been slammed by a series of discriminatory, destructive and callous federal government decisions, taken in the so-called "national" interest, decisions that can only exacerbate regional disparity and contribute to the further weakening of this country as a nation. Once again I will give you the Island perspective.

The backbone of Prince Edward Island's economy continues to be agriculture, the fishery, and tourism. We are making every effort to diversify, however "seasonal employment" is a basic fact of our economic existence. You can't grow potatoes or fish lobster in January. Moreover, the stronger our primary industries become, the greater seasonal work force they require. It appears that Ottawa doesn't understand, or chooses to ignore, this economic reality. Proposed changes to the unemployment insurance system discriminate against seasonal workers, and if implemented will place an additional burden on a small rural economy with limited alternatives.

Canadian Forces Base Summerside gives us further reason to be cynical and disillusioned. Here we have the second largest employer in Prince Edward Island, providing secure, year-round, well-paid jobs to military personnel and civilians, the kind of jobs the federal government urges us to create.

Yes, CFB Summerside generates the equivalent of 200,000 jobs in Ontario or Quebec. And what does the federal government do in the interest of "national" defense and "national" economy? It decides to close the base down, devastating the western part of Prince Edward Island economically, and leaving ours the only province of Canada that will not participate in military spending. This is ironic, given that one of our Island communities, little St. Peters, contributed more sons and daughters to the last war effort than any community of its size in all of Canada.

The military rationale for the CFB Summerside closure is now under considerable scrutiny. The economic rationale simply cannot be defended. Islanders understandably wonder if their province, indeed all of Atlantic Canada, has been forgotten by our national politicians, and if the inequities of the current system can be overcome. Certainly, the party loyalty and solidarity imposed by our party system often prevents our region's governing party members from publicly agitating for favourable policy measures. They may or may not make their views known in the privacy of caucus or cabinet, but they are bound by party loyalty, by caucus and cabinet solidarity to mute or silence their voices. The silence and compliance of most Atlantic region governing members in the face of this spring's federal budget cuts, is a perfect example of what I am talking about.

The third institution which is complicitous in regional disparity is, of course, the Senate, that body created especially to assure a regional balance in national decision-making. Well, what can I say about the Senate which has not already been said. Unfortunately, that chamber has not fulfilled its duty as the representative of regional interests, and, in the absence of legitimate regional representation within our federal system, the provinces have had to become the sole articulators of regional public will. The result is the now familiar jurisdictional "tug-of-war" which passes for nation-building, but which in my view makes us weaker and less united as a nation.

This is the Island view, the Atlantic view, of Canada. It is a perspective borne out of frustration - frustration with national policies which discriminate against a region and its people - frustration with national political institutions that fail to recognize or correct regional disparities, both economic and political - frustration with "solutions" imposed from above, which seek to replicate the central Canadian economic model with little or no regard for local resources, local culture, or local economic history - frustration with a national media and a national bureaucracy which continue to see us and portray us as revelling in our dependency - frustration with a national government and a national business elite which a century ago told us we could not trade freely with the United States - subsequently strips us of our ability to do so - and now asks us to support the new Free Trade deal.

The Atlantic region's view of Canadian Confederation is, I am afraid, quite dismal, but I'm not about to start crying because I honestly believe that we can help to change this situation. Canada is not a homogenous land mass. We are a sea of islands, as Cole Harris said, cultural, linguistic, geographic and, yes, even economic islands, joined together by that essential common element - a national purpose. That national purpose finds expression not by subjugating and denying our differences, strengths and weaknesses, but by building on what makes us proud as Canadians, and that is the idea of equality, equality of opportunity, that gives to all Canadians, wherever they live, the opportunity to participate in the country's wealth and greatness.

Equality can only be achieved when all Canadians feel they have a legitimate voice in central decision-making. In my opinion we must look to the Senate, as the founding fathers did, for a counterpoint to the elected House of Commons. We must restructure the Senate so that it becomes the place to bring forward regional points of view. I do not suggest an elected Senate in the American (or Alberta) style. That would fly in the face of our British parliamentary tradition, rather, I would keep to an appointed Senate, with an equal number of senators appointed by each province. I believe the concept of a continuous provincial presence in Ottawa would act as an effective balance and counterpoint to the elected house, which must conduct its affairs along strict party lines in order to preserve party discipline.

Yes, we need to change, we need to modernize our national political institutions if Canada is to become a truly great nation, for a great nation is one in which all citizens enjoy fair treatment and equality of opportunity from their own back yard.

Capital and financial power in Canada, as elsewhere, will continue to shift like the sands on our Island beaches. The Maritimes enjoyed a zenith of prosperity in the last century, when trade connections with Europe were dominant. Ontario and Quebec have subsequently benefited from continental trade. And now the Canadian West is rising up to meet the exciting opportunities of the Pacific rim. For economic, cultural, and psychological reasons, we must resist tying our national purpose to one particular region of the country.

Possibly the most mischievous aspect of Canadian Confederation was the naming of the "whole" - the new nation state - after one of the "parts", one of the "regions". Ontario and Quebec gradually assumed the identity of Canada itself, leaving the Maritimes and the West feeling alienated and marginal. Once again, there was no conspiracy, just a series of unfortunate decisions on the part of political leaders who could not have imagined the outcome. Perhaps we should relegate the notion of "central Canada" to the scrap heap.

We must strive to build a country that resists simplification, one that takes its strength from its diversity. It should be every Canadian's dream, and right, to become a "central Canadian", regardless of where they live, not by "going down the road" to Toronto, but rather by finding meaning and livelihood in their own community. This is the only idea of Canada which makes sense to me, and the only one worth of our national destiny. This is my view from the regions.

Thank you.

The appreciation of the meeting was expressed by John Campion, Partner, Fasken, Campbell, Godfrey and a Director of The Empire Club of Canada.

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October 5, 1989

## Geraldine Kenney-Wallace

Chairman, The Science Council of Canada

# CHALLENGES FOR CANADA'S COMPETITIVENESS. IMAGES OF JAPAN

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Chairman: **Sarah Band**
President

**Introduction:**

Honoured guests, members of the Head Table, members of The Empire Club.

Empire Club traditions mostly spring from roots in mother countries across the Atlantic. Today we have a speaker native to England, educated there and in America, to talk to us about countries on the Pacific Rim. To say our interests are broadly based may be an understatement.

Our speaker today, Doctor Geraldine Kenney-Wallace, was educated in Oxford, London and Vancouver. She has been on the faculty of Yale and the University of Toronto. She has held doctoral fellowships at the Universities of British Columbia and Notre Dame. She has six honourary degrees in law and the sciences. She is going to take us into the world of science and technology today, to help us understand Canada's place in world trade. These interests are hers as the Chairman of the Science Council of Canada.

But before any here are intimidated by such a renowned scientist, let me quote the irreverent golden rule of science written by Peter MacArthur some 80 years ago. Science is, he said, "To make sure of your facts and then to lie strenuously about your modesty".

Please welcome Doctor Geraldine Kenney-Wallace.

**Geraldine Kenney-Wallace:**

Madame la Présidente, distinguished guests, ladies and gentlemen, mesdames et messieurs: Thank you very much for your kind invitation. I am indeed honoured to be here as the guest of The Empire Club of Canada.

My theme today is the challenge Canada faces in the light of the rapid changes in the global market place, with a particular focus on the newly emerging economies in the Pacific Rim and the enormous investments made by Japan in science and technology and research and development. The issue is economic competitiveness, not whether or not it is important, but **how** it can be achieved, particularly in a growing world context of sustainable development and caring for a quality of life and a quality of health and a quality of environment for all who inhabit this globe.

The equation is thus "competitiveness **and** caring" and it is distinctly time-dependent. Yesterday's competitiveness cannot pay the bills for today or tomorrow's caring. Competition is a dynamic reality. The solution to this equation is the answer to the trade challenge, but it is not a quick fix solution, as you all know. Science and technology are a vital and integral part of both competitiveness and caring issues and solutions and today I will try and illustrate just how pervasive S and T has become on the international trading markets, through some concrete examples of how ideas have moved from the laboratory to the market place - and moved the competitive goal-posts for us overnight. Witness the excitement and speculation surrounding warm superconductivity, the theatre of cold fusion and the future promise of the cystic fibrosis gene breakthrough.

The issue of competitiveness is, in essence, harnessing the right stuff. It is the wise management of uncertainty, the assessment of risk, the courage of action, the willingness to live on the competitive edge, of knowing the facts and the fiction of knowing when to start and knowing when to stop. Professors are famous for knowing when to start lecturing but less famous for knowing when to stop. Speakers at a lectern usually preach from a text and so identify “the text for today”, be it a psalm from the Old Testament or a testimony from a House of Commons finance committee on the General Sales Tax. And executive audiences want a one-page executive summary, and no jargon, a clear link to the bottom line and the Blue Jays score.

So here, ladies and gentlemen, is my executive summary in three points.

**Point 1:** Competitiveness is the issue. Global trading dynamics are fluid and fast. We are facing - but not fighting - an invisible economic war fuelled by smart fuzzy logic and nanosecond fiscal transactions at the stock exchange. Competitiveness is also a reflection of the history and culture of a country. Canada seems to be in a race between the pull of our history and the push for shaping our technological future. We have no choice but to win with innovation and ideas. A good idea is the hardest currency of all in the marketplace. A good idea in action sparkles with value.

**Point 2:** Research and Development (R and D) is equity investment. R and D and innovation as a cultural mind-set are key investment strategies and equity positions for the future and must become an intrinsic part of your corporate strategies. The CEOs and senior management teams must be sufficiently knowledgeable regarding the technology challenge **out there** in order to bring commitment, expertise and a tolerance of risk **inside** the company so that longer-term strategies can be successfully played out for R.O.I. (return on investment). In good parts of the business cycle, longer term investments in R and D and innovation throughout the company, or institution, or agency, will give you a critically important competitive edge in products and processes for when the cycles go down and the markets get tough. Do you have that technological know-how at your fingertips or the boardroom table? Can you plug into the international network of S and T? How will you get your smart scanning tuned to future competition from your competitor’s R and D?

During the yen-shock nearly three years ago, Japan went tough. R and D investment poured in as a parallel activity to the economic restructuring. New R and D consortia sprang up linking university, government and industry with titles like "superbug" or "Nanoelectronics".

Science fiction? No, Science in Action. And while a leaner, tougher corporate sector gradually emerged, the R and D escalated. Their timescales are not on our side. We still have to learn our R and D investment strategy lessons at home. R and D is research and **development**, not research and deals!

**Point 3:** Technology and trade are inseparable partners for the new global markets, and yet they have different timescales for return on investment and different rhythms of response to external forces. Nature hasn't heard of quarterly shareholders reports, and high quality technology takes time. We did not go from the model T to the Cadillac overnight. Exactly how are our trading partners in the Pacific Rim coping with what appear sometimes to be rapidly moving target markets in the sophisticated, technologically-based electronics, medical and optical industries, for example? What are the timescales for action by us in Canada to stimulate a climate for competitiveness in the markets we seek? What are the essentials for an action plan? Where is the leadership that understands these timescales?

I am going to address some of the questions I posed during my talk, but first let me identify the text for today's speaker at the Lectern. Today's text is drawn from the wise words printed in two headlines in the September 25 issues of "**Fortune**" and "**Time**" magazines. "**Time**" had a headline "Time for Some Fuzzy thinking." "**Fortune**" had a headline "Where Japan will Strike Next". This also sounds at first like science fiction or a transcript for Mission Impossible! But it is my text for competitiveness.

The first time I spoke about fuzzy logic was a decade ago to a university private sector joint colloquium, and it took me almost 15 minutes to override the laughter and caustic comments to get back on track - and we had been discussing the subject of excellence and quality of education and creative thinking in our students. I was chided for being comical, not serious. In fact, fuzzy logic and neural networks, another phrase appearing frequently, are the same novel approach to solving complex calculations **fast**. Fuzzy logic allows one to carry out a sophisticated "ball-park" calculation. We all know that 2x2 is 4, not a matter of opinion. This is a sharp, not a fuzzy result. A more complex calculation of a very important number might take immense computer time. Yet a rapid decision must be made, on the evidence of that number. Fuzzy logic speeds up calculation times at the expense of some of the sharpness of the answer, which now has a range of probable answers. For example, the temperature of boiling water is 100°C. The answer to the calculation of that temperature might be 97° to 102°, but you get that answer ten times faster. The application to a shower temperature control is obvious. Rapid control and monitoring of the temperature in fractions of a second can lead to less scalding than a clumsy guess on the dial position in the shower!

Ten years later, in a single headline, "**Time**" magazine has made fuzzy logic mainstream and a safe subject for cocktail parties. Can we talk now? Because what I want to tell you is that Japan is making money from an idea that is now 25 years old and was conceived in the USA. No one saw the technology potential, laughter dominated the tenets of fuzziness, and traditional mathematics and statistics prevailed. Some have said that the Japanese did not laugh because culturally their approach to thinking, logic, language, and philosophy is quite different. They invested instead. Indeed MITI has opened a $34 million (US) International Engineering Laboratory for Fuzzy Engineering Research in Yokohama.

More importantly Japanese industry made fuzzy logic work, following an R an D investment in the early 1980s that has now delivered computer software that runs subway trains, brakes, air conditioners and shower systems. Fuzzy logic allows computer-controlled smooth landings, smooth focusing of cameras, smooth changes in temperature in bathroom showers and elsewhere. Now other industries around the world are taking note and scrambling. NASA is now experimenting, and I heard at the major Aerospace Industries meeting held in Toronto last week that major companies such as Boeing and Rockwell are now exploring the possibilities. Undoubtedly, software and computer companies will be burning the midnight oil.

The fuzzy logic paradigm is here to stay. It has not supplanted traditional statistics and mathematics. It has given unbelievable value-added to the traditional approaches to problems - and become a strong competitor in the orthodox marketplace. The moral of this competitiveness tale is two-fold. "He who hesitates is lost". "Often a trend is as useful as a decimal point". Planning for competitiveness means planning for the unexpected. Can you put fuzzy logic to work in your businesses? - but not fuzzy thinking!

My second text for the day from Fortune, "Where Japan will Strike Next" takes me into a single, clear message: R and D is equity investment, for innovation and development of new tradeable good and services for those global markets. Where will Japan strike next?

Read the "**Fortune**" article to see what is expected in electronics, construction, financial services, retailing, supercomputers, and so forth, because it **is** expected as a result of the past one or two decades of R and D investment by the Japanese. The return on investment is now. Their capital investments are patient and help capture market share. They have been quite single-minded and persistent and spared no resources to win these existing markets. Military expenditures are capped at 1 percent of GDP but now approach $30 billion, which is invested in many technologies with important civilian applications, from aerospace to novel electronics and space.

So my answer to that question "Where will Japan strike next?" is rather different. I'll take the long term view and look at the 2010 horizons. Japan does not know. In a Japanese way of thinking, the results of today have only so much currency in the future as foreign competition will catch up, markets saturate, consumers' tastes change and age profiles shift dramatically. The fast and fluid global markets move like supersonic techtonic plates. Where will we be in 2010? I don't know. They don't know. Given worldwide geopolitical changes on the news every day, no one does. However, we had better be prepared to be versatile in our exchange and management of information in this knowledge-driven society.

The boundaries of space and time and decision-making already are collapsing: by mid-1990's, the transatlantic TAT 9 laser fibre optical communications traffic system linking (through underwater optical fibres) USA, Canada, UK, Spain, and France will connect all North America and Europe in their market transactions. This network is already a $2 billion (US) market itself and it is estimated to grow to $5 billion (US) by 1995. The future capacity of this new TAT9 optical fibre network at 560M bits/second is already sold out! TAT8 only opened up in 1988.

At the same time, similar networks are being planned and laid across and around the countries and islands in the Pacific Rim, linking up together and to us and to Europe the area that constitutes 43 percent of the world's population and over 40 percent of the present world trade. That trade area is growing more rapidly than anywhere else. Annual growth rates of six to nine percent are to be compared to one to two and a half percent of OECD countries. Free markets and outward-looking, aggressive marketing push their prosperity higher, not protectionism. Cultural internal barriers do, however, sometimes make their markets less accessible - or perceived to be so - to our western trading practices. Fifty percent of the present USA-Japan traffic on existing networks is FAX messages, beating time zones, and illustrating the enhanced trade levels. The future will see image and voice communications; machine-machine communication, three-dimensional images, moving images - imagine a global medicare network where the medical diagnosis was conducted by three experts thousands of miles apart, examining images of the patient with a clarity of high definition television, on a six foot human size screen, and using machine trilingual translation for instant language communication. It is possible. We have the ideas now and the applications well in development. We will not be surprised. The research has its roots in the computers, software, optics, lasers, and materials of 1960's.

What we do not know, what Japan does not know, what is unknown, is the **unexpected** results of today's new research and thus tomorrow's industries.

Where will Japan strike next? She does not know but the **trends** are there. Japan is making sure she **will** have an answer by investing even more financial and human resources into basic and applied research as a futuristic competitive strategy.

R and D is equity investment. In a country like Japan and many other rapidly growing, newly industrialized countries of the Pacific Rim, where there were no abundant natural resources to harvest or mine or lumber, they had to look for equity and collateral elsewhere. It was and always will be a question of survival. And that is why Japanese value education so highly, almost obsessively, reward brains, respect professors, support 478 (approximately) universities, and that is why corporations regularly invest anywhere from a few percent to 20 percent of sales back into R and D ventures. Several corporations run world class research facilities. Some companies invest at a level which exceeds by 1/3 to 2/3 the investment of their North American counterparts, just to keep competitive in the knowledge business.

Competitiveness is a dynamic reality: where will be the next breakthrough or incremental step in technology transfer that wins a new competitive edge in the market? Eastman Kodak just opened up a new research centre in Tokyo, not as an observer, but to be a participant in the overwhelming R and D activity that is now taking place. Many other well known corporations are already there or linked in, via joint ventures.

Indeed, for new spin-off companies the new public offerings price-earning ratio in Tokyo of 40:1 is much more attractive than 15:1 in North America.

Whether you like it or not, the reality is that the centre of gravity of R and D innovation and manufacturing technology, with worldwide impact, has moved once again. Earlier this century, it moved from Europe to North America. The centre of gravity has now moved across to our major Pacific trading partner, to a country whose population of 124 million clinging to islands covering a mere 378,000 square kilometres has shown us what we once taught them:

- invest in your human resources, education
- take a longer term view
- focus on excellence and quality
- stick to your knitting!

While 26 million of us, dispersed across 9.9 million square kilometres of Canadian lands, debate as individuals the merits of teamwork, they act as a disciplined school of fish, becoming increasingly comfortable with individual style and tastes. Japan is in a super position of modern and feudal instincts. Japan is also rapidly changing. Do not build your views on yesterday's stereotypes.

Life in Japan can be tough. Business is tough and polite and aggressive. But Japan is in a major world play, undergoing remarkable changes in society, in creative attitudes, in opening up to foreign markets under pressure, in coping with changing ethics, in trying to foster young women, in trying to understand how to play the role of international statesmen, and to foster individual harmony or the softer side of the Japanese character, one in tune with nature.

I will now conclude my presentation with some brief remarks on my third point: technology trade and timescales, with some views from the Pacific Rim. Technology and trade are inseparable partners for the 21st century. It was from this perspective that I accepted a most unusual task and challenge in January 1988 when the Science Council of Canada was asked at the request of the Prime Minister of Canada and the

Prime Minister of Japan to identify areas of science and technology and mechanisms for an enhanced and complementary activity in R and D between our two countries. I chaired the binational committee established on behalf of both countries, and led the project with the able assistance of the seven distinguished internationally known scientific and engineering colleagues from academe and the private sector from Canada and Japan, helped invaluably by the expert advice of some several hundred scientists and engineers in universities, industry, private sector labs, and government agencies in both countries, and many diplomats, senior government leaders, members of the bureaucracies, educators and students, bankers and lawyers, doctors, and even performing artists in both countries. It has been a fascinating, complex, intriguing, breath-taking, myth-breaking exercise (and at times exhausting in our commutes from Tokyo to Toronto, and criss-cross Canada and Japan) to seek a grassroots answer "How do we do business together in the future of science and technology?"

Perhaps the answer can be briefly stated as follows: to do business together you need to understand a little of the culture and history of that country. Science, being intrinsically an international activity, has a degree of culture and history built into its laws and applications. Scientists and engineers offer an enormous international network which can join forces with the business world in a series of strategic international alliances. It is in this context that I will now summarize the goals of the Canada-Japan Complementarity Study (CJC). (A fuller Executive Summary of CJC is available upon request, and I merely repeat highlights here).

"As a result of our assessment of past and current science and technology cooperation between Canada and Japan, and of our extensive consultations with scientists and engineers in both countries, and of our own deliberations, we respectfully submit for your consideration the following main recommendations bearing on the principal areas and effective mechanisms for future S and T cooperation between

Canada and Japan.

We recommend:

1. that the governments of Canada and Japan publicly and quickly commit themselves to a new, imaginative, and enhanced program of bilateral R and D activities which builds upon the existing bilateral S and T agreement. The key characteristics of the program that we urge you to support are:
   - dedication to excellence
   - emphasis on young researchers
   - concentration on creative ideas and "frontier" science and technology
2. that Canada and Japan immediately pursue a program of enhanced cooperation in the following six broad "umbrella" areas of science and technology. These areas of equal importance are:
   - advanced materials and biomaterials
   - biotechnology and biosciences
   - oceanography and ocean engineering
   - space science, technology and cosmology
   - advanced manufacturing (artificial intelligence and robotics), microelectronics, communications, and photonics
   - sustainable development and environmental management

In order to launch the new recommended program of S and T cooperation effectively and to capitalize on some major scientific developments, we further recommend that the following key preferred areas from within the broad "umbrella" areas be singled out for immediate attention. These are:

**Advanced materials and biomaterials**

- thin film superconductors, growth and characteristics; oxide superconductors
- structural advanced ceramics and ceramic coated implants
- experimental and theoretical aspects of complex inter-

faces and surfaces

**Biotechnology and biosciences**

- biochemical engineering
- fermentation technology
- medical biotechnology
- applications of biotechnology to fisheries, forestry, and agriculture

**Oceanography and ocean engineering**

- North Pacific Ocean
- advanced technology

**Space science, technology, and cosmology**

- materials for space
- astronomy in space
- space plasma physics

**Advanced manufacturing**

- microstructures and their microelectronic functions
- advanced processing and manufacturing technologies
- lasers and photonics

**Sustainable development and environmental management**

- acidification processes, environmental effects of acidification, and engineering solutions
- the influence of the North Polar Region on global climatic change and global scale simulation
- atmospheric trace gases, dispersion (micro-and mesoscale), and environmental observation from space

3. that the program make a flexible and wise use of many specific generic means of cooperation. These include:
    - exchange of information
    - bi-national post-doctoral programs and exchange of graduate students, junior and senior scientists and engineers
    - bi-national topical workshops, conferences and meetings in selected "umbrella" areas
    - access to major S and T facilities in both countries
    - cooperative R and D projects

These should be applied according to need and circumstance. Continuing discussions on potential and future cooperation will be the most effective way of determining their utilization within each broad S and T "umbrella" area.

4. that in order to achieve enhanced cooperation in the appropriate areas and with the mechanisms we have described, the necessary financial resources should be identified in order to trigger cooperation.
5. that there be created a small, strong and prestigious science advisory board to be known as the Bi-National Advisory Board on S and T. The responsibility of the Bi-National Advisory Board on S and T will be to review on a continuing basis the overall science and technology relationship between Japan and Canada and to advise the Canada-Japan Joint Committee on Scientific and Technological Cooperation on issues concerning that relationship. Some suggested specific functions of the Bi-National Advisory Board on S and T are provided in the Main Report.

Should the Bi-National Advisory Board be established, it would be desirable, in order to maintain the continuity and momentum generated in Japan and Canada by "The Complementarity Study", to model it on the present Canada-Japan Committee.

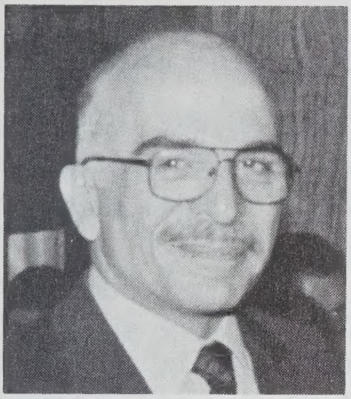
In concluding my remarks, I would like to read from the postscript of the CJC report, because it reflects the spirit and tone of our future collaboration. "Serving on the Canada-Japan Committee has been both a privilege and a pleasure for all of us. Canadian and Japanese Committee members, as well as the many scientists and engineers who have worked with us, have come to know each other as persons and started to appreciate, at least a little, some aspects of each other's culture. In this regard, therefore, our experience is a model for the experience that we hope an increasing number of our young scientists and engineers will enjoy in the future. It is our earnest hope that scientific and technological cooperation of mutual benefit to both countries, as well as the global community, will grow and strengthen in the future. But in addition to that, the bonds of friendship and mutual understanding, which will surely be forged in a program of strengthened cooperation between our countries, will be as important as the scientific, technological, trade, and economic benefits.

Our world is one with many problems that will never be solved by nations working alone, but only by nations working in concert. The laws of nature deem science and engineering to be intrinsically international activities. Scientists and engineers from all nations will play a crucial role in solving global problems. Their ability to work effectively together will depend greatly on their possession of mutual respect for and understanding of each other's cultures and values. Let us give excellent young Japanese and Canadian scientists and engineers the opportunity to build the bonds of respect and friendship and create the mutual understanding that is essential to the creation of a peaceful, harmonious, prosperous, sustainable global society and environment."

Ladies and gentlemen: in summary, the issue is competitiveness and the management of change. R and D is equity investment for that transition into a trade and technology era of global dimensions. And getting the timescales right for each of the two critical paths, for the evolution of science and technology and the evolution of new trade routes and markets, is the key to a smooth transition. Truly imaginative and creative activity at the competitive edge is the essence of being alive and winning with ideas. This should be the vision we share and the vision driving the strategy - and it requires leadership from every one of us to make this strategy work.

Thank you.

The appreciation of the meeting was expressed by Frederic Jackman, President, Invicta Investments Incorporated, and a Director of The Empire Club of Canada.



October 12, 1989

A joint meeting of The Empire Club of Canada and The Canadian Club of Toronto

# His Royal Highness King Hussein of Jordan

## CANADA AND JORDAN

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Chairman: **Joyce Kofman**
President, The Canadian Club of Toronto

**Introduction:**

We are privileged to welcome today, to this joint meeting of the Canadian and Empire Clubs, His Majety King Hussein of the Hashemite Kingdom of Jordan.

King Hussein needs little introduction. He was proclaimed king in 1952, at the early age of 17, and since that time has left his indelible mark on the history of Jordan and the Middle East. To Jordan he has brought stability, economic development, compassion and justice, and it is thanks to him that Jordan is today a tolerant and dynamic society. With regard to the Middle East as a whole, his devotion to the cause of peace and a just negotiated settlement is unparalleled, and he is known for his unceasing efforts to advance the prospects for negotiations in favour of a comprehensive settlement.

His Majesty has visited Canada on several previous occasions, most recently in 1981. During his present visit he has already had meetings in Ottawa with the Governor General and the Prime Minister, and he has addressed a joint session of Parliament.

Canada's relations with Jordan have known a remarkable expansion in recent years, and Ontario businesses and enterprises have been very active in this growth. Among Ontario firms active in Jordan are Capsule

Technologies International Ltd., Ontario Hydro, and Agrodev. We are hopeful that this visit will help us to know each other better and perhaps to lay the base for further co-operation of this sort.

We feel particularly favoured, Your Majesty, that you have chosen this joint meeting of the Canadian Club and the Empire Club for one of your principal public speaking occasions during this visit to Canada, and it is an honour for me to invite you to address this meeting.

**His Majesty King Hussein of Jordan:**

Madame Chancellor, Ladies and Gentlemen. The Canadian Enclyopedia considers the Indian-derived name of Toronto to mean: "Place of Meeting". My country, Jordan, has been for millennia a place of meeting not only of peoples but also of the three great monotheistic religions. In your modern city of Toronto things have somewhat changed since the times of Etienne Brulé and the fur traders! Indeed, trails and canoes have given place to your "little bang" and the $1 trillion money market of today! Our region of the Middle East has also been progressive into modernity. But although our "bangs" have regrettably tended to be of a different sort, hopes are high that the nineties will finally witness the resolution of the Arab-Israeli conflict which has been tearing our region apart for most of this century.

Though located in a dramatically different region of the globe, Jordan shares with Canada a number of basic values and principles. The multicultural character of your heritage, your interest in protecting minorities and refugees, your constructive internationalism and increased awareness of global interdependence are all admired by the Jordanian people. In Jordan, our answer to demographic upheaval and environmental dislocation has been to emphasize socio-economic development as providing the strongest underpinnings for future peace. Our policies have stemmed from the Islamic and Arab traditions of tolerance, moderation and pluralism which we, as Hashemites, have inherited and upheld. Respect for the individual human being, protection of minorities, and building on complementary positions have been the underlying principles of our actions and policies in the face of extremism.

It has been stated that the start of a new decade often acts as a trigger for organizations to rethink strategies. This notion, I am sure, is well-known and frequently practiced by the distinguished elite of Canadian business leaders gathered here today. I earnestly hope that the start of this forthcoming decade does indeed trigger a rethinking of strategies and inflexible positions by some decision-makers in our region. As is widely known, Jordan has recently undertaken strategic, or rather, historic decisions in both the political and economic spheres.

Politically, the decision of legal and administrative disengagement from the West Bank triggered a chain of events that has taken the peace process out of its cul-de-sac. The courageous decision of the Palestinian Liberation Organization (PLO) to recognize Israel on the basis of a two state solution will hopefully lead to a realistic reassessment of inflexible positions and standpoints in the region.

In the latter part of 1988, a much-needed and effective economic package was put into effect by the Jordanian Government. It simultaneously aims at achieving stabilization of the economy and sectoral adjustment. It is based on a balanced strategy, tackling both the aggregate demand and the aggregate supply sides of the economy. Stabilization would be achieved through managed reductions in fiscal deficits, starting with the Government budget of 1989.

The 1989 budget is the first step in a suitable fiscal plan of action over the next five years, tackling both the revenue and expenditure sides. This plan aims at bringing down successively the level of fiscal deficit relative to G.D.P. This, in turn, will help to achieve a much-needed adjustment of domestic aggregate demand to the reduced level of external resources. This has been coupled with sectoral adjustment policies acting on the supply side through the floating of the Jordanian dinar, floating of interest rates and deregulating the economy to enhance efficiency and flexibility.

Further measures were introduced following Jordan's agreement with the IMF to bolster the national economy and increase public revenue. Although the fund projections cover the period to 1993 only, the outlook beyond that will be carefully considered. Jordan has begun the implementation of the reform measures as agreed with the IMF to make the necessary adjustment to its economy. Such adjustments are not easy or painless.

Moreover, Jordan is determined to make the necessary moves entailed in the development of a more self-reliant economy. Plans have also been laid to broaden public participation in the policy-making and the decision-taking processes. It is realized that people must be aware of the nature of the threats to their economic well-being and to the stability of the state.

The Jordanian economy has been put on a new course that provides attractive investment opportunities in manufacturing, services, and tourism. The Canadian business community is especially welcome to participate as partners in this new phase of development. It is well known that Canadian-Jordanian economic cooperation has expanded rapidly at the official level in recent years. Cooperation at the private sector level will further enhance relations between our two nations.

Ladies and gentlemen, in these closing years of the 20th century, humanity desperately needs a non-partisan "intellectual bridgehead" to resolve the apparent dichotomy between the international political framework and the international socio-economic framework. The spirit behind the improved world political climate should be reflected equally in efforts to deal with pressing economic and social problems that are causing tremors in numerous parts of the world.

Canada, I believe, is well positioned to help promote what I have called the "intellectual bridgehead" urgently needed by mankind. Some observers consider that Canadians are modest about their attributes. Canada became one of the Group of Seven leading industrial nations two years ago. Though Canada had the lowest gross domestic product (GDP) amongst the Group of Seven (G7), it had the second highest per capita income after the United States. Last year, the heads of states of the Group of Seven chose your distinguished city of Toronto as a “place of meeting” for their summit. The Toronto Economic Declaration, affirmed the necessity for the Group of Seven governments to “consider fully the international dimensions of their deliberations”. This reflects an awareness on the part of those world leaders of the concerns of the south. Such side-effects as high interest rates and their impact on the developing world are receiving more adequate attention. A spirit such as that of Canada’s multicultural heritage can help turn dichotomy and potential confrontation between north and south into a true partnership for the prosperity of mankind.

It is within a similar spirit that Jordan has been advocating the concept of regional and inter-regional economic cooperation. Within the Arab world, the Maghreb Council, comprising Morocco, Algeria, Libya, Mauritania as well as Tunisia and the Gulf Cooperation Council evolved into blocks to allow for wider cooperation among member countries. A third potential regional building block is the newly established Arab Cooperation Council comprising Jordan, Egypt, Iraq and North Yemen which forms the central spine of the Arab world, linking the African Maghreb with the Peninsular Gulf Council through the centrality of Jordan’s geographical position. The Arab Cooperation Council comprises nearly half the population of the Arab world and borders three seas and two very important shipping lanes.

The concept behind the Arab Cooperation Council is based on a practical approach to build on complimentary positions that already exist and on a moderation in outlook to the outside world, rather than on pure political dogma. A sectoral approach, whether in terms of the environment, basic resources (such as water and energy) or infrastructure (such as transport and development) should promote stability within this important region, containing, as it does, the hotspots of the Gulf, Palestine and the Lebanon. Furthermore, this central spine of the Arab Cooperation Council is contiguous to the non-Arab nations of the region such as Turkey, Israel and Iran. Jordan's concept will hopefully make these borderlines with other nations a meeting ground of positive interaction and complementarity, rather than war zones of conflict and turmoil. As the 1992 dateline of the dismantling of barriers in Europe rapidly approaches, Jordan's paradigm for regional cooperation stands in sharp contrast to outmoded concepts of exclusivity adopted elsewhere in the region.

The importance of our region, the Middle East, is rooted in the central position it has always commanded between ancient civilizations and as a crossroad between east and west. The huge energy resources that it commands have made it a nerve centre for the world. Perhaps it is the centrality of this region that has caused it to suffer more than its fair share from upheavals and turmoil.

The Middle East has been embroiled in the Palestinian problem for well over 70 years. We still see Israel hanging on to extremist positions that have hindered the achievement of a just and comprehensive settlement in this area, despite the fact that the Arab countries in general and the PLO in particular have now accepted the principle of land in exchange for peace on the basis of Security Council resolutions 242 and 338, and the right of all nations to exist within safe and secure boundaries. The Israeli occupation of Palestinian lands is now in its 23rd year. The Palestinian National Uprising, the Intifada, approaches its second anniversary. Yet, the leadership with which Palestinians identify, the PLO, the sole legitimate representative of the Palestinian people, remains disenfranchized, and the Palestinian people are still denied their right to self-determination on their national soil in the occupied territories. It is our belief that the best possible way to achieve the desired setlement of the Arab-Israeli conflict is through the implementation of Security Council resolutions 242 and 338 which call for the Israeli withdrawal from the Arab occupied territories in return for peace. The appropriate venue for the negotiations is an international conference to be convened under the auspices of the United Nations. Not only would such an arrangement bestow a measure of international legitimacy on the peace process, it is the forum where direct negotiations can take place. It is hoped that the industrial world in general, and the two superpowers in particular, would assume a more direct role in smoothing the machinery of the peace process through easing tensions, reducing frictions, and suggesting alternative ways of tackling particularly difficult issues.

The tragic war in the Lebanon has added a new dimension to the Middle East conflict. The Lebanon is a reminder of the waste of human lives and resources that has been caused by the ravage of interference of outside powers. We see a ray of hope emanating from the latest mediation effort of the Arab League Tripartite Committee. We are hopeful that this effort will bear fruit and Lebanon's unity, national integrity and sovereignty can be restored. Full national reconciliation, and the withdrawal of all foreign armies are imperatives for the achievement of these goals.

Just as important to enhancing stability and progress in this region is the ending of the "no-peace-no-war" situation between Iraq and Iran. The ceasefire, that is a prelude to a peaceful settlement, should not turn into a permanent truce. International efforts should be directed towards the implementation of Security Council resolution 598. Continuation of this situation is not only a drain on the resources of both sides, but also a recipe for a possible resumption of hostilities which would bring back the massive human suffering and endanger the flow of energy resources to the world.

It is our fervent belief that any progress towards a meaningful peace settlement of the Arab-Israeli conflict will have a direct and positive impact on the tragic situation in Lebanon and the potentially explosive "no-peace-no-war" situation between Iraq and Iran. No doubt such progress will stop in its tracks that wave of extremist policies that have plagued our area.

I am sure that you are all fully aware that the continuation of the Palestinian problem, without a meaningful solution until now, has left a magnitude of negative effects on all the states of the area. It is my belief that, of all the Arab states, Jordan has suffered most and, may I add, continues to suffer, because of the continuation of the "no-war-no-peace" situation that has placed a tremendous drain on Jordan's limited economic and financial resources.

Jordan, in its own modest way has done, and will continue to do, all it can to promote peace, justice, and stability within the Middle East. Jordan regards its friendship and cooperation with Canada as instrumental in the success of this endeavour.

Thank you.

The appreciation of the meeting was expressed by Sarah Band, President, The Empire Club of Canada.

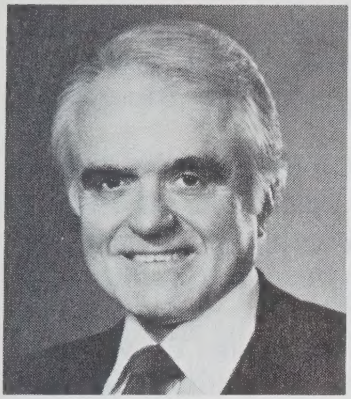
**Sarah Band:**

Your Majesty, it is my honour today to express the thanks of the members of the Canadian and Empire Clubs and our guests.

And in thanking you I will quote one of Canada's outstanding authors, Robertson Davies. "Thank you", is excellent, but formal and English in effect. 'Thanks a million' is excellent, but it has an American extravagance which is unbecoming in Canadian mouths. What would you think of 'Thanks a hundred thousand'? It seems to me to strike the right Canadian note."

We have many things for which to thank you today. For choosing this occasion as a focal point of your visit to Canada, and for the depth of understanding you have shared with us about our two countries.

Your Majesty, please accept our thanks. As we Canadians say; thanks a hundred thousand.



October 19, 1989

## Jack Valenti
President and CEO,
Motion Picture Association of America

# THE CINEMA FUTURE BELONGS TO THE TALENTED AND THE SKILLED AND CANADA'S FUTURE IS BRIGHT

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Chairman: **Sarah Band**
President

**Introduction:**

Honoured guests, members of the Head Table, members of The Empire Club, ladies and gentlemen. It is a great pleasure for me to introduce Jack Valenti.

But before I address his accomplishments, let me make a few remarks to Mr. Valenti. We were very glad when you accepted our invitation Mr. Valenti, but as soon as it was known, we had a flood of phone calls which told us we had invited as guest an atrocious rascal.

You will be glad to know we had as many calls telling us you were an avenging angel.

Mr. Valenti, in Canada epithets and accolades as serious as these are usually for our political leaders. I make this explanation to you to say, you are welcome sir, no matter which hat you choose to wear today.

In Mr. Valenti we have a leader. During the Second World War he flew bombers. He earned his country's Distinguished Flying Cross and the Air Medal with four clusters. I suspect this is where he first encountered flack. He is certainly no stranger to it now. He holds a Masters degree in Business Administration from Harvard. He formed a successful advertising agency and left it to serve President Lyndon Johnson when he took office. His service to the White House ended when he became the leader of the Motion Picture Association of America, and the Motion Picture Export Association of America.

He has served these two organizations with distinction through the smooth, easy, and turbulent times of the motion picture industry. When he took the associations under his wing, movies were just that – movies. Now they appear to be everything from tiny-screen wonders, to stadium-filling extravaganzas. His is the trade association which is the voice and advocate of the industry in a hundred countries throughout the world. Mr. Valenti is no stranger to the challenges of the times. Nor has he turned his back on his association's mandate to eliminate trade restrictions; to draft international treaties; to fight for copyrights, and even lobby foreign legislatures. Mr. Valenti, you have said that you want nothing more than a free, open and fair marketplace where your stories on film and tape can compete honestly and fairly with all others. We hear your request, and we look forward with great anticipation to hearing you speak;

Ladies and gentlemen; Mr. Jack Valenti.

**Mr. Jack Valenti:**

Today I come to you directly from Washington D.C., the entertainment capital of the world. I visit with you as one who is preeminently and persistently fascinated by the world of Canada - particularly the Canadian political cockpit, and the writers, film makers and film artisans who reside in this land.

Norman Snider's engaging narrative, *The Changing of The Guard* is, as well you know, a mesmerizing account of the January 1983 - September 1984 election struggle in Canada. Snider recalls how a prominent Canadian politician described one of his colleagues. "He looked like the driver of the getaway car." I am afraid that is how a good many Canadians would describe me. And yet, the more I read about Canada, the more I visit this land, the more I am drawn to the beguiling and riveting political and creative arena in this country inhabited by some remarkable men and women. I have read over the years a number of books in which myth, challenge, and reality all collaborate to illuminate a picture of Canada. It is a portrait that most Americans would find both exciting and revelatory. I am a fan of Margaret Atwood and Robertson Davies, as are so many Americans. Their prose is melodious.

No one who reads those two giants can resist their magic. Incidentally, I pay them the highest compliment of which I am capable: I buy their books at full retail price.

Canadian politics and Canadian business are to me as a honey pot to a bear. I merrily absorbed Peter Newman's accounts of *The Canadian Establishment, The Acquistors, The Establishment Man.* I have poured over Ron Graham's *One-Eyed Kings* as well as Richard Gwyn's *The 49th Paradox.* I explored the political tracings of Christina McCall Newman's *Grits.* Not too many Americans have the vaguest idea of what a Grit is or where the name came from. Most Americans think it is a new breakfast food, possibly a welcome substitute for oat bran. If anyone in this audience is puzzled as I was about the origin of the designation *Grits,* I draw your attention to page 45 of Peter Brimelow's book, *The Patriot Game* which I happily devoured. There you will find the answer. So you see, I have this day enlarged the knowledge of perhaps a few of you in this room.

It is one of those uncommonly whimsical acts of nature and humanity that we share a slash across a map of North America, from Prince Edward Island to British Columbia. It is what Mr. Churchill, some sixty years ago, described as "that long frontier from the Atlantic to the Pacific Ocean, guarded only by neighbourly respect, and is an example to every country and a pattern for the future of the world". I add to Mr. Churchill's graceful allusion a prayer that God will always give this geographic fortuity a special, loving care. Which is why Canadians and Americans must be especially attentive to each other's needs and anxieties.

My theme today is a simple one. It is this. Whichever society has a nourishing reservoir of skilled and talented young people with a mystical knowledge of the human condition and a firm grasp of dramatic narrative, that society will be inhabited by a film industry of singular value. There is no other pathway to the creation of great films and television programs. There is no short cut. There is no canon of fate that can intercede. There is no parliamentary mandate which can intercede.

Why then, if this is so, do so many countries try to invest their future in coarse regulations and artificial restrictions, all of which are barren of skills? Because, alas, there is a trampoline film theory that bounds and leaps from country to country. That theory declares that if a nation's government can build a fence around the local cinema industry, exiling or hobbling other creative works that come from beyond their border, that local industry will, by some elaborate collaboration with a divine osmosis, develop a massive attraction for local audiences. This theory depends for its life on the belief that political leaders can command great films to be made. That this theory has been amply discredited does not seem to shrink the delusion. The fact is that no heavily restricted cinema industry has ever lifted itself to world class quality. None. Films are not sausages or canned goods. They are neither bedsprings nor steel girders. Each film is unique, unlike all other films. Every time a creative group makes a new movie they create an enterprise that never existed before.

I cannot speak knowledgeably about the Canadian Parliament. But I can convey to you without any peradventure of a doubt that the American Congress is incapable of intervening in the creative or the distribution or marketing process of the film industry. The film arena is girdled round by a fragile webbing which baffles intercession by anyone except those who have special skills. When you buy a film company all you get with purchase is a library of already-completed films and a delicate, easily shatterable relationship with creative producers, writers, directors, artisans, and agents. The only warrant to the future is the ability of the people managing the enterprise. Each night these managers take home with them, in their brain and within instincts, most of the assets of the company. Which is why otherwise intelligent business barons are confused and vexed by what they find in this brittle world of the cinema. They don't teach this kind of management at the Harvard Business School. Nor, I daresay, at McGill or the University of Toronto.

Canada's answer to this flawed theory of government intervention is the Toronto Centre for Advanced Film Studies. It may well be the single most important step this nation has ever taken to fortify its creative future. For in truth Canada has asserted its faith in its gifted young men and women. Norman Jewison, one of the world's finest film makers, the Centre's founder, and a Canadian to his core, has set this nations' cinema on the right compass course, heading upward on an ascending level of quality recognizable on every continent. The second twelve residents at the Centre, soon-to-be-producers, screenwriters, directors, are the beginning of what will become a wave of cinematographers, art directors, composers, editors and production experts. These are the talents that must be deployed if something is to be created that is fine enough to grab hold of audiences, and for a brief moment, enchant them.

In my conversations with members of the European Community, I have offered up to them the example of Canada and the Toronto Centre. I have said that in the United States, almost every truly accomplished film maker of this generation is a graduate of one of the great film schools in North America. These young men and women, the Spielbergs, the Lucases, the Coppolas, have learned their craft. They have gotten into their bones the essence of story telling on film and tape. They understand how to enthral audiences. Making a superior film is so very hard to do, which is why so few truly worthy films are exhibited anywhere. The craft of film making is the most difficult of the art forms to learn and in which to achieve greatly.

I have said, again and again to my friends in Europe, build your industry on talent. It is the only suitable seedbed from which can spring that which is creatively graceful, as well as durable. It is the cinema's only continuing resource. Do what Canada is doing, I say, do what the U.S. did some years ago. Organize one or two or three first calibre film schools. Encourage talented young people. Let them learn and widen and grow. Then you will have something far more spacious than shakily anchored artificial rules and regulations which have never produced a single good movie anywhere in the world. The European Community, two weeks ago, took a step backward. Over the strenuous objections of some of its members it voted for restrictions on television programming. It is a decision which has no connection to reality. One of the European Commissioners candidly admitted the vote was totally political. What this admission reveals is the vacancy between a goal of a robust competitive TV programming industry and the means to achieve that goal. How lamentable it is that what was done is not what ought to have been done.

Fine, you may be thinking, that's easy for you to say, Mr. Valenti, but let's stay close to home. Your film industry dominates us. You come in, take everything and leave nothing. Let me respond to that thought which is near the surface of things in Canada. First, the cinema is not insular. It is global. That is a realism that cannot be ignored. When Parisians or Romans or citizens of Toronto, Rio or even Wichita Falls, Texas, go to the movies, they don't say, "tonight let's go to a Canadian movie, or a French movie or an American movie." Not at all. What they do say is "let's go see a really good movie tonight." And to hell with who made it or its origins. That is the way the real world operates. Moreover, in Canada it is the Canadian move-goer who is the final arbiter of what movies he or she likes or doesn't like. I am afraid no prime minister, no president, no Congress, no Parliament can force citizens to watch something they don't want to see. In this country, as in all others, the consumer is king. All creators of visual entertainment must place their faith in the consumer. When a film maker, or a government, defies that truth, their future is put to hazard.

Second, when a producer is ready to start a movie that he or she prays will excite global audiences, that producer reaches out to the finest talent that can be attracted. Perhaps a Canadian director, a British writer, a French actor, an Italian actress. Which country they were born in has meagre value compared to the skills they bring to the production. Talented movie people are peripatetic. They go where the production is being shot.

Third, in the past five years member companies of the Motion Picture Export Association of America have added to the well-being of the Canadian economy. We have in that time contributed some two billion Canadian dollars to this marketplace. In one year, 1988, exclusive of monies derived from MPEAA member company products by Canadian wholesalers and retailers of Home Video material, TV stations advertiser income and cable systems income from pay-TV programs, the MPEAA companies contributed some one-half billion dollars to the Canadian economy in that single year. In 1988 for every dollar taken in at a Canadian theatre exhibiting an MPEAA company film, the theatre owner retained 53 cents. Between 1984 and 1988, MPEAA films' share of the Canadian theatre box office amounted to some $617 million. In those same five years, our total expenditures in Canada for prints, advertising, salaries paid to Canadian employees, operation expenses, film production costs, and Canadian taxes represented 99 percent of our Canadian revenues. According to the latest independent research, the video cassette industry in Canada, at retail, has reached $1 billion in annual revenues. MPEAA companies' revenues are 20 percent of that total.

In 1988, MPEAA companies financed 44 productions in Canada: movies, TV programs, pay TV material. Well near one a week. In fact, British Columbia and Toronto have hotter production schedules than the vast majority of communities in the United States. This generates a tremendous amount of work for Canadian film craftsmen, income for Canadian families. I offer this arithmetic to you in an affectionate recounting of precisely what we are doing in Canada, and how we provide the Canadian economy with jobs and revenues. I can assure you that Film Commissions in 40 of the 50 states of the Unites States hunger for the film and TV production that we have assembled on Canadian soil with Canadian artists and craftsmen.

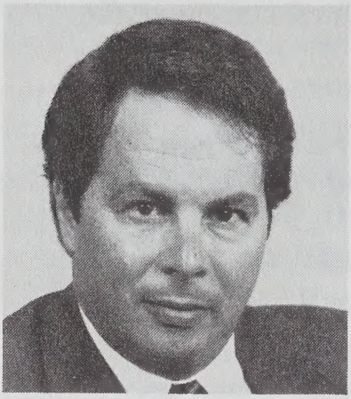
In the years 1986 through 1987, Canada produced an average of 34 films. Like those in the U.S., some were very good, some were average and some were not so good. Because we produce many more films in the U.S. than Canada, our box score of good to bad is worse than yours. Within your country you have bred some of the best artists in the world: Superb actors like Donald Sutherland, Bill Murray, Dan Ackroyd, William Shatner, John Candy, Leslie Nielsen, Genevieve Bujold, Rae Dawn Chong, Chris Makepeace, Al Waxman, Lloyd Bochner. Your roster of directors takes a back seat to no land: Norman Jewison, Ivan Reitman, Lorne Michaels, Norman McLaren, Gilles Carles, David Cronenberg, Denys Arcand, Sandra Wilson, Daryl Duke, Bob Clark. Your producers are among the best: Robert Lantos, Andre Link, Rene Malo, Peter O'Brian, Peter Simpson, Jon Slan, Pierre David, Harold Greenberg.

Films like "Jesus of Montreal", "The Gate", "The Tadpole and the Whale", "Decline of the American Empire", "I've Heard the Mermaids Singing", "Care Bears", and many others are shining examples of cinema skills ascending to the highest level of quality.

And so I end as I began, a fascinated student of Canadian history and politics, an admirer of Canada's talented directors, producers, actors, some of whom are close and loving friends of mine. Most of all I am overjoyed at the birth of the Toronto Centre for Advanced Film Studies. It is sure to be the creative reservoir for your free and competitive landscape, from which you will draw a generation of skilled story tellers. Some of them will take wings to electrify and enchant audiences all over the world.

The Toronto Centre will do more for your national pride, as well as your fiscal ledgers, than all the trade barriers which can be devised. This Canadian nation, and all who live in it, is the single best neighbour, friend, ally and trading partner that the U.S. has or will ever have. It is in both our long term best interests that we hold fast to each other for we need each other. At times we may quarrel, we may disagree but, in the end of it all, we must embrace each other in trust and affection. Which is precisely the spirit in which I come among you on this day.

The appreciation of the meeting was expressed by Nona Macdonald, Director, Canadian Stage Company and a Past President of The Empire Club of Canada.



October 26, 1989

# Calvin Goldman

Director of Investigation and Research, the Bureau of Competition, Corporate and Consumer Affairs

# MERGER REVIEW IN A CHANGING GLOBAL ENVIRONMENT

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Chairman: **Sarah Band**
President

**Introduction:**

Honoured guests, members of the Head Table, members of The Empire Club; ladies and gentlemen.

Introducing a lawyer to a gathering as auspicious as this calls for a very careful selection of words. Introducing a lawyer whose role is Director of Investigation and Research is almost threatening. Calvin Goldman assures me, however, that he has left all that behind him and is here to inform, not investigate or research, The Empire Club.

Few lawyers count among their accomplishments Mr. Goldman's exacting, professional experience. He was a partner in Blake, Cassels and Graydon, and special prosecutor for the Attorney General of Canada before he undertook the administration of Canada's Competition Act at a time in our history when free competition has been more threatened than ever before.

The "merger-mania" which grips the minds of business leaders is a phenomenon of our times. Making it a positive force in the marketplace is what took our guest to Ottawa three and a half years ago. He comes to us today to say good-bye to that life and that role, having found, I am sure, the truth of Arthur Meighan's comments that, "Rivalry and struggle under equitable laws truly are the glory of living".

Ladies and gentlemen. Please welcome Calvin Goldman.

## Calvin Goldman

I am pleased to have the opportunity to be here today to share my views on what I hope is a topical subject of interest to you. I want to focus my remarks on the protection of competition itself in a changing global environment - an environment which is adapting to liberalized trade and increasingly global markets.

The great British philosopher, John Stuart Mill, writing in the last century, said that, "Wherever competition is not, monopoly is and that monopoly in all of its forms, is the taxation of the industrious...!" With this statement, he was conceding the truth of the concept first enunciated about a century earlier by Adam Smith that free people freely pursuing their own economic interest set in motion a complex series of events which, generally speaking, operate to the benefit of everyone and which function as if according to some objective natural law. Adam Smith also observed that, "People of the same trade seldom meet together, even for merriment and diversion, but the conversation ends in a conspiracy against the public, or in some contrivance to raise prices."

Any discussion of competition law in Canada in the late 1980's boils down to an examination of its relevance to a changing global environment - and that is where I will begin. The good news for Canada is that we are prepared. In this respect, our adaptation took place in advance.

I refer to the passage in Canada of the Competition Act, in June, 1986. The timing was advantageous. We were in the early stages of what has turned out to be one of the longest, uninterrupted periods of economic growth in our history; the Act cleared Parliament just as one of the largest takeover waves was beginning to break.

As it turned out, the Act was passed two and a half years before the Canada-United States Free Trade Agreement came into effect. On the basis of our experience since then, it is my view that the new Act measures up - this is modern antitrust law drafted for a world of falling tariff barriers and increased global trade.

All over the world the trade fences have been coming down. As well, in recent years we have seen a coalescing of nations and regions into a growing number of regional trading blocks. As the fences have been coming down, we have seen the increasing development of global markets, served by world-scale corporations offering products and services worldwide. Canada is well placed to prosper in this environment. For example, the most recent report of the World Economic Forum on competitiveness ranks the competitive position of 23 OECD nations, and places Canada fourth for 1988 - up significantly from eleventh in 1986.

These trends have been accompanied by an escalation in mergers, takeovers, and general consolidations, not only in Canada and the U.S., but in Europe and elsewhere. One private firm in Canada has recently forecast a record year in 1989 for takeovers. Regardless of whether another record occurs, the pace and size of recent transactions have proved to be rather significant, to say the least. Between July 15, 1987, when the notifiable transaction provisions of the Act came into force, to August 31, 1989, we have reviewed 205 pre-closing notification filings. In this regard, the first notification threshold is $400 million in assets in Canada or in sales revenues, from or into Canada. This is one indication of the scale of merger activity in Canada. By definition in the Act, mergers include acquisitions.

What has happened internationally, through GATT and otherwise, has been the unfettering of competition, the reduction of restraints on trade and the liberation of market forces. Indeed, the growing recognition of the benefits of a stronger interdependent global economy was evident at the Toronto Economic Summit in June 1988. The Economic Summit communiqué was, among other things, a statement of commitment to the building of a stronger, inter-dependent global economy. The leaders of the G-7 countries and the President of the Commission of the European Communities indicated their commitment to the removal of barriers and unnecessary controls. They emphasized the need to improve efficiencies and adaptability through reliance on competitive forces.

## The Competition Act and Merger Review

In this environment of trade liberalization, the classic challenge which faces antitrust authorities at the national level is the need for balance - the need to protect competition itself without stifling competitors. In this regard, the design objective in the drafting of the Competition Act was, in one word, balance: to prevent practices which harm competition, but to do so without placing crippling handicaps on Canadian industry in relation to foreign competition.

These specifications are met faithfully throughout the Act. The evidence can be found as early as the purpose clause in section 1.1 which spells out the raison d'etre for the legislation. This clause says that our mandate is to maintain and encourage competition in Canada in order to promote the efficiency and adaptability of the Canadian economy. A specific objective in that mandate is, and I quote, "to expand opportunities for Canadian participation in world markets, while at the same time recognizing the role of foreign competition in Canada".

Equally, in addressing merger review, the Act reflects this sensitivity. People who think carefully about merger review realize that the writing and administration of competition legislation is, like tightrope walking, primarily an exercise of balance.

Effective merger legislation balances two broad economic interests. We need to ensure that competition is protected in Canada and, at the same time, we need to enhance our international competitiveness in the face of increasingly global markets.

In the real world, merger proposals are not always, or even usually, all good or all bad. Some of the effects of a proposed merger can be desirable - for example where a merger allows an enterprise in Canada to compete on equal terms with a large foreign rival not only in Canada but also in international markets.

These features may, and often do, co-exist with features which negatively impact on competition in the domestic market. In passing the Competition Act of 1986, Parliament recognized that the public interest is best served when we are able to find an even-handed resolution to these situations. In sum, Canada's Competition Act is designed to strike the right balance for Canada - preserving domestic competition - while ensuring Canada remains realistically attuned to the international marketplace.

The Act compels us to look at both sides of the ledger in order to allow for a realistic assessment of a merger's effects. Here are some examples of what I mean:

First, in assessing the impact of a merger on competition we are required to go beyond number-crunching - beyond calculating only market share for instance, or concentration ratios. We must weigh many other qualitative elements - including the factor of foreign competition, actual or likely; the prescence or absence of tariff or non-tariff barriers to international trade; the availability of acceptable substitutes for the products in question, and so on.

Second, the merger law provides for the balance sheet to consider not only the negative effects on competition - but also the gains in efficiency which will exceed and offset those negative effects - particularly where those gains will produce a net trade benefit for the economy by way of a significant increase in the real value of exports from Canada or a significant substitution of domestic products for imports.

Third, these characteristics of efficiency gains and balancing are also important in the relationship to another feature of the new Act - the provisions relating to specialization agreements which are an alternative to mergers.

Specialization agreements are particularly important to Canada whose manufacturing sector contains a large number of small-scale plants. They obviously figure prominently in any strategy for adapting to wider markets under GATT. And they may play an important part in the Canada-U.S. free trade environment. Yet, under our old, pre-1986 legislation, companies contemplating an arrangement of this kind faced a powerful deterrent - specialization agreements could be construed as violations - perhaps even as criminal conspiracies. However, specialization is one of the key strategies which Canadian companies can employ to survive and prosper in today's highly competitive international marketplace. We have not seen significant use yet being made of these agreements but they certainly are an available option to companies that do not want to go to the whole extent of a merger to remain competitive in the global marketplace.

Fourth, there is even a specific exemption for joint ventures in the Act - provided certain conditions are met. This provides another alternative to businesses contemplating mergers or specialization agreements.

Fifth, the Act also moves us away from simplistic assumptions which may get in the way of reasonable solutions. There is no assumption that "big" is axiomatically "bad". Instead the focus is on the uses to which that stature is put - whether or not it is used or could be used to stifle competition. This is the case in both the merger and abuse of dominance provisions.

Another feature of the Act is that it allows us to apply the law efficiently - we can employ procedures that enable us to reach well-considered decisions with a minimum of unnecessary conflict and second-guessing.

We have adopted what we call a "compliance-oriented" approach. Or to put it another way: just as in the medical profession where it is a lot more efficient and effective to practice preventative medicine than to always embark on surgery - similarly preventative compliance may obviate the need for costly and time-consuming litigation - but we will certainly go to litigation if necessary.

The Compliance Program is designed to give businesses every reasonable opportunity to see the possibility of conflict with the law up front and to avoid it if they so choose.

Parties planning a merger can come to the Bureau in advance requesting our assessment of the likely impact on competition. If it is determined that no competition issue arises in accordance with the standard set forth in section 102 of the Act, then an Advance Ruling Certificate is issued. This in effect allows the merger to go ahead with "statutory comfort" - which means parties can be assured they won't wind up in a contested proceeding before the Tribunal if the merger is consummated as proposed within a year after the issuance of the certificate.

And there are other instruments we can use to address competition concerns under the Act short of resorting to contested proceedings before the Tribunal.

In this regard our preference has been to "fix-it-first", if the businesses so choose - in other words, to remove our concerns for competition before the transaction is in fact closed. For those transactions in which remedial action will not be possible before the transaction is closed, we may proceed to the Tribunal on the basis of an application for an order on consent approving the resolution arrived at with the parties. There are also some instances where we may allow a merger about which we have concerns, to proceed without immediate challenge, but subject to an undertaking by the parties involved to take specific action by a specified date to deal with these concerns - for instance by a partial divestiture of some component or other restructuring. Such undertakings are generally backed up by a consent to a Tribunal order which will be sought if the undertaking is not fulfilled. I should note in passing that I have discussed in considerable detail in a speech given earlier this year, at a Law Society of Upper Canada program, the general criteria that pertain to the use of consent orders in these situations. Anyone interested can obtain a copy from the Bureau offices.

In some situations, as you can imagine, it is extremely difficult to predict the impact of a merger on competition. In those cases, instead of stifling the transaction at birth, the Act allows for a three-year period in which we can monitor the actual effects on competition. In that time, if negative impacts emerge, we can assess them and take steps to curb them.

Let me digress briefly for a moment to emphasize that the focal point of our merger review process is that making of decisions which are fully informed. As a matter of policy we enlist the aid of industry and other outside experts. We seek information from many sources to ensure that we arrive at an accurate, real-world assessment of the likely effects of a merger.

This applies not only to possible challenges before the Tribunal but to all decisions and resolutions. At the Bureau the rule is that any merger assessment must be thoroughly and realistically analyzed. It must be accompanied by all the information needed to understand the ramifications of the proposed action. The emphasis, in short, has been on making properly informed decisions, and more often than not, this means obtaining relevant input from the industry on the practical aspects of the merger.

## Case Examples

We have made use of the full range of techniques to achieve resolutions which strike a balance between the two basic goals I have mentioned. In so doing we have repeatedly made it clear that we have no hesitation in challenging mergers in relation to their harmful effects upon domestic competition. But we only do so where such is necessary and where the statutory threshold of a substantial lessening or prevention of competition is met. Let me briefly mention some examples.

1. One of the first pre-closing "fix-it-first" resolutions achieved was the proposed takeover by Nabisco Brands Ltd. of certain assets of the Interbake Foods division of Weston Foods Ltd. Our review covered a variety of factors including the influence of foreign competition and barriers to entry. We informed the two companies that the merger as initially proposed would lessen competition substantially in the cookie and cracker markets, and that if they went ahead with

it in that form, it would be challenged before the Tribunal. In response they came up with a modified plan: Nabisco would acquire only those Interbake Brands which made up a majority of its export sales. Interbake would find an alternate buyer for the remainder of the assets.

With these changes, the objectionable features of the transaction disappeared while the aspects that facilitated the attainment of increased international competitiveness were retained. Only then was the merger allowed to proceed unchallenged.

2. A second resolution involved the proposed acquisition by Canada Safeway Limited of certain assets of Woodward Stores Limited. We made it clear that this transaction would be challenged because of its impact on competition in six urban markets in Alberta and British Columbia. Safeway responded with an undertaking to divest itself of 14 supermarkets in the affected markets. And it is interesting to note that smaller enterprises have managed to purchase many of those supermarkets in order to attain entry into the market.

3. A further example arises from the Hostess/Frito-Lay partnership. We informed the parties in 1988 that the proposed transaction in its original form would likely lessen competition substantially in the salted snack food market. In addressing our concerns, they restructured the transaction so as to divest a plant, trucks, and equipment and the rights to seven brands to a third party: Murphy Snack Foods. Once again a new opportunity for a smaller enterprise in Canada was created as a result of the operation of the Act. This resolution received overwhelming support from major retailers, wholesalers and distributors in the industry across the country. And some of those retailers have also provided Murphy's with that essential ingredient to compete in that industry - shelf space.

4. Asea Brown Boveri Inc.'s proposed acquisition of various assets of Westinghouse Canada Inc. was a merger that involved a settlement subsequent to the public announcement earlier this year of my intention to challenge the transaction

before the Tribunal. That merger and the merger of the computer reservation systems of Air Canada and Canadian Airlines International (the Gemini case), which I also initially contested through extensive litigation, were settled on the basis of precedential consent orders.

We used the consent order remedy with respect to the ABB/Westinghouse transaction to obtain what we consider to be a balanced settlement in relation to the market for electric power transmission and distribution facilities. This was a particularly complex situation in which simplistic approaches would not have worked. To achieve the dual goals I have mentioned, we needed, in this case, a resolution that took into account a variety of domestic and foreign competition considerations. The resolution reflects the kind of interaction we can expect to see more of between trade policy and competition policy.

We were able to achieve such a balance because the Act allowed us to consider real world economic factors. They included the impact that both the Free Trade Agreement and ABB's commitment to seek a combination of tariff remission and accelerated tariff reduction, would have in reducing barriers to entry and facilitating increased foreign competition. The order in effect says that ABB must obtain tariff reductions for the middle category of transformers on an accelerated basis under the Free Trade Agreement. ABB must also obtain full tariff remissions for at least five years for the largest category of transformers. In the event of failure, divestiture is required. The consent order enables us to ensure that domestic market power will be constrained by foreign competition; at the same time it encourages innovative activity in Canada and fosters the attainment of efficiencies that will allow ABB to better compete against foreign competition both domestically and abroad.

And here is an additional point to note: despite the intricacy of the transaction, from the filing date of the proposed consent order before the Tribunal to the issuance of the order, the resolution took only seven weeks - including just a half-day of hearings during which counsel for this Office responded to comments made by market participants. This was the first case in which consent order was issued by the Tribunal.

The reasons for the Tribunal's decision in the ABB case were released recently. In those reasons, Mr. Justice Strayer pointed out that a settlement arrangement between the Director and private parties is to be given considerable weight in the Tribunal's evaluation of a proposed consent order. The Tribunal indicated that it is fully cognizant of the savings inherent in the resolution of matters as opposed to litigation and views such settlements as being in the public interest. I think it is fair to say that those reasons provide support for the merits and potential benefits of our compliance-oriented approach to merger cases.

5. Another milestone was the Gemini case. In that case, contested litigation had already proceeded for about a year before the proposed consent order was agreed to and submitted to the Tribunal. I characterize the case as a milestone because the Tribunal, in granting the consent order, clarified its role with respect to the issuance of such orders, thereby providing important guidance for my Office and merging parties.

The Tribunal made it clear that although its role is not to rubber-stamp proposed orders, neither is it given a mandate to craft the best possible terms and conditions for protecting competition. The Tribunal referred to the Ontario Supreme Court's decision in the recent Sparling case where the Court recognized (under a different federal statute) that "settlements are by their very nature compromises, which need not and usually do not satisfy every single concern of all parties affected".

The Tribunal said that its role is not to ask whether the terms of a consent order represent the optimum solution to a given problem, but is rather to determine whether the consent order meets a minimum test of ensuring that there will be no likelihood of a substantial prevention or lessening of competition. The Tribunal also indicated its willingness to consider behavioral type orders in certain circumstances.

6. As I've indicated, the statute states that a determination that a merger substantially lessens competition cannot be based solely on evidence of concentration or market share. The statute also directs our attention to the role of foreign competition, dynamic change and barriers to international trade. There have been several cases in which the factors mentioned above have been particularly important in the decision made not to take action against a merger. I will summarize some of them very briefly:

a) The acquisition by Fletcher Challenge Limited of British Columbia Forest Products Limited was not challenged, in part, because of the availability of alternative, foreign sources of supply, including sources in the United Sates.

b) Similarly in the Amoco Canada/Dome Petroleum merger, the decision not to challenge was based in part on the constraining influence of international market forces on competition in relation to natural gas liquid products.

c) Another example is Nova Corporation's acquisition of Polysar, a case where we are monitoring the transaction for three years. The Bureau's analysis determined that the markets for petrochemical derivative products were North American in scope and highly competitive; the Free Trade Agreement is expected to further enhance competition in relation to these products.

7. Even when actual or potential foreign competition is not sufficient to prevent the conclusion that a merger has lessened competition substantially, section 96 of the Act provides that an assessment be made to determine if the merger should proceed on the basis of the magnitude of anticipated gains in efficiency that will be brought about. The Section provides that a merger shall not be blocked if it is likely to bring about gains in efficiency that will be greater than, and will offset, the effects of any prevention or lessening of competition that will result, and if the gains would not otherwise likely be attained. In assessing efficiency gains, the

Act requires that specific consideration be given to those gains that are likely to result in an increase in the value of Canadian exports or the substitution of domestic for imported products.

Cases in which efficiency gains played a role have included the acquisition by Fletcher Challenge of B.C. Forest Products Limited; the acquisition of Freuhauf Canada Inc. by the Trailmobile Group of Companies Ltd; the acquisition by Dofasco Inc. of the Algoma Steel Corporation; and the recent acquisition by Consumers Packaging of Domglas where anticipated efficiency gains were confirmed by an independent expert to be in the order of $53.9 million a year. Those gains should permit the parties to better meet foreign competition both in Canada and in the U.S.A.

8. The potential effects of foreign competition and the anticipated reduction of barriers to trade were important considerations in the decision last July not to challenge the Molson/Carling merger at this time. The beer industry is undergoing dynamic changes in many areas of Canada. The parties have informed my Office that they intend to provide access to the Molson distribution systems in Quebec under certain circumstances. We will be monitoring these developments during the three-year period provided under the Act with particular attention being paid to the beer markets in Quebec and Alberta. The parties also expect to achieve considerable efficiency gains as a result of the merger which will assist their competitive position internationally.

9. Another important aspect of merger review under the Competition Act relates to the issue of national treatment. Under the law, Canadian-owned and foreign-owned companies are treated alike. At the same time, you may have observed that a number of mergers which have been restructured under the Act have involved U.S. controlled companies. We became involved only because of competition concerns that arose and not because of the nationality of the firms. Examples include the transactions involving: Safeway/Woodward; Hostess/Frito-Lay and Nabisco/Interbake.

## Public Information

I want to discuss one further aspect of our application of the law which we think contributes significantly to its effectiveness. From the commencement of the Act, three years ago, we have given high priority to public information - to getting word out to the public about the legislation and about our approach to its adminstration.

We treat this not as a peripheral activity but as an indispensable, central part of the process. Sound corporate management and business growth depend upon a full understanding of all the factors that impinge on a business plan. Furthermore, business and the public in general need a full understanding of competition law in order to assess its implications intelligently and to participate effectively in the process.

For these reasons, we make every effort to put as much information on the public record as possible, while respecting the statutory requirements for confidentiality. Once again a balanced approach is required - one that ensures that the public is well-informed but also ensures that the sensitivity of certain business plans is maintained.

For example: when the PWA/Wardair decision was reached, we issued a news release with an eight-page backgrounder which related the decision to various provisions of the Act. In examining that transaction, we focused on the failing firm factor and the backgrounder highlighted our approach to this issue. Earlier in the process, the public was kept fully informed about other developments - for instance, about our insistence that Wardair first shop around for an alternate purchase - a search which ultimately proved unsuccessful.

We have had extensive consultations with the Justice Department and the private sector over the last two years about how much information we can and should provide to the public on merger decisions - and we have increased the scope of such information over the past year. The public information initiatives we have taken are discussed in recent speeches that I have given this past year. These speeches are available from the Bureau offices for anyone who may be interested in this particular subject.

## Free Trade Implications

I cannot leave the subject of mergers and acquisitions in an increasingly global environment without briefly commenting on some of the specific implications of the Canada-U.S. Free Trade Agreement for merger review under the Competition Act. In this regard there are a number of reasons why we can look with confidence to a smooth adaptation.

One is the degree of cooperation that already exists in competition matters between the two parties to the agreement.

Long before Free Trade, Canada and the U.S. formally recognized the need to set up machinery for regular consultation on the application of our national antitrust laws. We signed a Memorandum of Understanding on this subject as far back as 1959, and updated it most recently in 1984. We have a very good working relationship with the two U.S. antitrust agencies - the Department of Justice and the Federal Trade Commission - which have seen even more contact during the past three years in relation to merger review.

Also, it should be noted that competition law in Canada and the United States has been getting more similar over the years - and with the passage of our new Act, the differences have narrowed still further. Our treatment of mergers is a case in point. Both countries assess mergers on the basis of their effect on competition. Both go beyond simple quantitative analyses in their assessment of the pros and cons of mergers. Assessments of a number of similar factors occur in the exercise of the law enforcement function in both countries. In short, on the important merger principles we are similar or converging.

Although our new Act gives us a good start on adaptation, there are still interesting questions we will have to deal with as we move ahead. For example, the question of market definition is occasionally raised. Specifically, some observers ask if the reduction of market barriers under the Free Trade Agreement is causing a re-examination of the concept of market definition. My short answer to this is that I do not perceive the immediate need for such a re-examination. At the same time, I expect that the qualitative factors found in section 93, dealing with barriers to entry and foreign competition, are likely to be more significant in such merger assessments. In addition, I anticipate that parties will more often present arguments about the gains in efficiency likely to flow from a proposed merger - indeed, these kinds of submissions are already being made. In that regard, gains in efficiency which are likely to give rise to net trade benefits are given added weight in the balancing process under the Act.

I've said we are confident about our ability to protect competition in the setting up of Canada-U.S. Free Trade and the general environment of trade liberalization. I've said that we have a head start in the form of the Competition Act. There is another, more basic reason for my confidence and I want to close with that.

I am referring to a basic compatibility of goals. Those who seek to remove trade barriers between nations and those who seek to protect competition within nations are allies in the same basic cause. And philosophically, there is a strong family resemblance between the objectives of the Canada-U.S. Free Trade Agreement and Canada's Competition Act.

Both are concerned with the removal of artificial fences and the liberalization of market forces. Both see increased competition as a force friendly to the consumer and conducive to economic growth. Both have, as a fundamental aim, the improvement of industrial efficiency and productivity, and a more rational allocation of resources.

## Conclusion

With your indulgence and with the kind consideration of your president, Sarah Band, I would like to conclude my remarks on a personal note. This is my last speech in my capacity as Director of Investigation and Research under the Competition

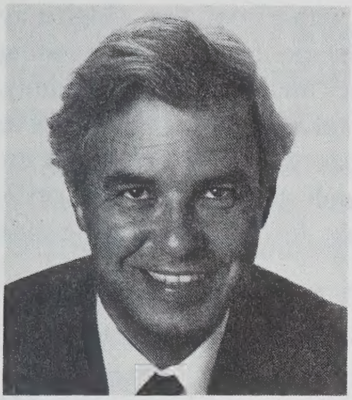
Act. My close colleague, Howard Wetston, whom some of you know, takes office next week.

I was parachuted into the federal public service almost three and a half years ago. We in the Bureau of Competition Policy were faced with a whole series of challenges - a new Act, new substantive and procedural requirements, new organizational, staffing and financial requirements, to list only a few. The Bureau also faced a new Director who had some specific ideas about the approach to be taken to the new legislation, which were based in part on the adage of "walk lightly when you carry a big stick". And the new Director faced his own challenge of adapting to the complexities and nuances of public service.

Let me tell you that I discovered a diligence and professionalism among the Bureau and other public servants that has earned my sincere respect. Many of the Bureau's professional staff have often worked excessive hours, because they faced a wave of demands and case activity, and they wanted to ensure their analysis was done in a sound and responsible manner. They certainly have not expended those efforts for the compensation. These people deserve our recognition, for without their contribution, the demands placed upon many of us at the upper ranks of the public service would be just about impossible to fulfil.

I leave public service proud of my association with it and in the fullest confidence that competition law issues will be handled in the future in a diligent and effective manner.

The appreciation of the meeting was expressed by Robert Brooks, Executive Vice-President, The Bank of Nova Scotia, and a Director of The Empire Club of Canada.



November 2, 1989

# Pierre Lortie

Chairman, CEO and President,
Provigo, Inc.

# SETTING THE AGENDA FOR A KNOWLEDGE-BASED ECONOMY

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Chairman: **Sarah Band**
President

**Introduction:**

Honoured guests and Head Table guests; members of The Empire Club. It is both an honour and a privilege to introduce today's speaker.

Pierre Lortie comes to The Empire Club today as one of the most dynamic leaders in Canadian business history. He is a man of unlimited vision, genuinely staggering accomplishment, and exhausting energy.

Let me verify. He is the author of twelve publications which talk of the future of Canada and Canada's business. He has been President and CEO of the Montreal Stock Exchange. He sits on the Board of Directors of the National Bank of Canada. Add to these his accomplishments in the Canadian food industry and the enormous growth of the company he led until recently.

Now for his energy. At last count he is a member or on the executive of twelve organizations and foundations in the arts, sports, technology, retail and research disciplines. He is a graduate of universities in Montreal and Louvain, Belgium. He holds an Honours Master of Business Adminstration from the University of Chicago. He is an engineer and an economist. One's reaction to reading about Mr. Lortie can be reduced to simply "Wow!".

But Empire Club tradition turns to more formal expression. So I welcome you to The Empire Club, Mr. Lortie, with a quotation which may bring to focus for us your great accomplishments, your outstanding successes and your striving for excellence. Jack Miner said it quite simply, "Success is a journey, not a destination." We welcome you at this pause in your journey.

Ladies and gentlemen, please join me in welcoming Mr. Pierre Lortie, whose topic today is, "Setting the Agenda for a Knowledge-Based Economy".

**Mr. Pierre Lortie:**

I am honoured to have the opportunity to address you. My remarks today will focus on what I consider one of the most urgent issues facing Canada: our ability to reap the full benefits from advances in science and technology. The message I want to leave you with today is that, unless as a society we significantly enhance our capabilities and strengthen our willingness to achieve this objective, we will put our economic and social future in serous jeopardy. And what is urgently required is not simply a few more dollars to support some scientific projects, but a whole new set of attitudes, shared by a large majority of Canadians, regarding the crucial importance of the application of science and technology throughout our society as the key factor in sustaining our high quality of life.

Today's competition is already markedly different from what we have experienced in the past. Growing international competition, and a more continental economy, accelerated by the conclusion of the Free Trade Agreement, are changing the rules. This globalization process is accelerating and competition is increasingly waged on the technological front. Technological progress is no longer an option; it is a necessity. To be able to compete successfully in the new world economy we must marshall our public and private resources to meet this technological challenge.

Natural resources loom so large in the Canadian psyche that we have tended to neglect the teachings of modern history of economic growth. Empirical results of the contribution of science and technology to GNP and productivity growth in the Western World should remain at the forefront of our thinking. They show conclusively that, since 1929, factor inputs of capital and labour accounted for about 45 percent of productivity growth whereas scientific, technological and organizational advances contributed more than 55 percent.

In other words, scientific knowledge, organizational changes and technological innovation constitute new factors of production that can be harnessed. The traditional view that international trade is based on "natural" comparative advantages is incomplete; international trade based on "created" competitive advantages has become the norm in an increasing number of industries.

Overall, the structure of the Canadian economy is weak in terms of its "created" comparative advantages. The Canadian world export share of technology intensive products has remained stable at around 4 percent while Japan, for example, has increased its share to 16 percent. Worldwide demand for technology-intensive products is accelerating. In general, our performance in this rapidly growing segment has not been too impressive. In 1980, our trade deficit in technology-intensive products totalled $4.6 billion. By 1987, this deficit had jumped to over $7 billion. This striking illustration of our failure to harness the full potential of technology does not augur well for our future. A new direction appears sorely required.

Canada need not and must not accept a situation of technological dependence. But, to do so, we must adopt new attitudes towards science, technology and technological progress. We need a concerted effort that transcends our industries and public institutions.

## The Rate of Diffusion of Technological Innovation Must Be Increased

Our number one priority must be to substantially improve the rate and speed of diffusion of new technologies. Indeed, most countries develop themselves only a tiny fraction of the technology they use. Canada produces only 2 percent of the world's stock of scientific knowledge. Therefore, the priority must be to improve the speed of adoption of foreign technologies as well as increase the rate of diffusion and adoption of our domestic innovations. As the Japanese have demonstrated, it is less basic discoveries that create wealth for a given country than the ability to transform R and D into world-class goods and services.

Canada is slow to adopt innovations. In most instances, we adopt new technology later than the leading industries of other nations. Moreover, within Canada, there are significant interregional time lags which further compound the problem. Finally, the inadequate training given to managers and workers often leads to resistance in adopting new technologies and, even after they are implemented, poses difficulties in properly exploiting their potential.

Increasing the speed of innovation and the diffusion of technology will require considerable improvement in the ability of Canadian management to master technology and use it profitably. A recent European Management Forum survey ranked Canadian managers among the lowest of developed countries with respect to the management of technology. That is a pretty strong indictment.

There is no doubt that the inadequate training given to managers and workers makes them reluctant to adopt new technologies. A recent Statistics Canada survey found that in over half of our manufacturing plants equipped with advanced technologies, managers encountered problems trying to hire skilled people to work with it. It is hard to believe that in such conditions, the technology is being used to its full potential.

Another adverse factor, singled out by the National Forum of Science and Technology Advisory Councils at its meeting last August in Halifax, is the high proportion of foreign-owned companies. The problem stems from the fact that, generally, these companies do not innovate in Canada, but rather use technology transferred from their head office with the unfortunate consequence that their management teams based in Canada do not learn to encourage and direct the innovation process.

Canadian business people must learn to master technology and the innovation process and to use them as competitive tools. Technology must become a crucial aspect of business strategy. This management problem is not confined to a few "high tech" industries, but applies to all sectors because the pervasive influence of the new technologies makes them potent competitive strategic tools.

A promising and concrete proposal was put forward last year at the special Quebec Summit on Technology. Essentially, the proposal was to focus on "Mobilizing Projects" as an instrument for ensuring that new technologies receive the broadest possible application and rapid diffusion across industry sectors. This approach also holds significant promise for other regions of Canada and indeed for the country as a whole. "Mobilizing Projects" focus on the diffusion of technologies through the productive apparatus rather than on research activities as such. The objective is to persuade several companies and organizations from different sectors to undertake a concerted effort to introduce and adapt a new technology which, until now, they may have been prevented from doing because of institutional or fiscal constraints or simply for failing to recognize its potential.

Task forces composed of representatives from industry, universities and government departments concerned, would be responsible for coordinating a particular "Mobilizing Project". They would be mandated to encourage the commitment of all potential players; to accelerate the diffusion of innovation via broader and better targeted communication; to coordinate public and private initiatives including targeted education and training programs and to make recommendations to government to eliminate institutional roadblocks to innovation.

The primary focus of a "Mobilizing Project" is the rapid and wide-spread application of a technology, not research. It is critically important that this focus not be lost and the

"Mobilizing Project" not be highjacked by R and D establishments in universities or elsewhere. Evidently, research may be required to support the implementation process and this is good; but it should remain - at least at the outset - a supporting function, not the primary object of the exercise.

Business leaders must encourage a technological policy which emphasizes the role of diffusion. As such, the avenue of "Mobilizing Projects" may be considered as a choice instrument to accelerate the diffusion of innovation and foster the development of world-class export capabilities.

## The Quality of Education

Openness to innovation is influenced by knowledge. This in turn will greatly influence attitudes. These positive attitudes and abilities are shaped considerably by the education we receive in school during our formative years. This is why the type and quality of schooling that we provide Canadians must occupy a central place in our discussions.

"If an unfriendly foreign power had attempted to impose on America the mediocre educational performance that exists today, we might have viewed it as an act of war". This strong statement comes from the United States President's National Commission on Excellence in Education (Gardner Commission) entitled "A Nation at Risk". Since the publication of this Report, virtually every state has undertaken a study of the quality of education they offer. Americans are not alone in fearing that their quality of education is not high enough. Similar attempts to improve the quality of education have been undertaken in France, Britain and Japan to name just a few.

The fact that Canada is not presently carrying out in-depth public evaluations of the quality of education provided by high schools and post-secondary institutions is revealing. It tells a lot about our insouciance and inability to grasp the fundamentals of the challenges confronting our society. Unfortunately, if there is one country that should be concerned by the quality of education it provides, it is precisely Canada.

We have the second highest per capita spending on education among OECD countries, yet one of the worst performance records. The quality of education as measured by numeracy and literacy at high school levels is inadequate. In Canada, one out of every six workers is functionally illiterate. This comes at a time when greater participation and input are being required from workers. Indeed, increased automation and computerization requires workers able to decipher technical instructions and user's manuals as well as autonomously solve problems. If this was only a legacy of the past, it would be understandable. But we do not seem to prepare a better future.

Our relatively weak performance in high school education is highlighted when compared with that of other countries. International studies indicate that, on average, Canadian students do not fare favourably in comparison with students from other countries. Results of the Second International Study of Achievement carried out in 1988 for 23 countries are revealing. In 5th grade, Canadian students ranked 6th after Japan, South Korea, Finland, Sweden and Hungary. By the end of high school, our students had dropped dramatically into second-to-last position. Further, the Study found that between grades 9 and 12, Canadian students only minimally improved their knowledge.

Our students do not become more stupid with age. Comparative analysis of the different programs clearly points to a lack of depth and insufficient teaching of mathematics and natural sciences at the high school level. In Biology and Physics, 90 percent of Canadian schools ranked below the **worst** school in the country whose students achieved the highest test scores.

Another sad fact is that close to 30 percent of all Canadian youngsters drop out of school before obtaining a high school diploma or its equivalent. Furthermore, enrolment rates drop sharply in most provinces as youngsters pass the compulsory school age requirement. These youngsters will be less than 30 years old in year 2000; how do you think they will fare without even a high school diploma? These are serious shortcomings not only in terms of wasted personal opportunities for our young Canadians but also for Canada as whole. According to some sources, over 85 percent of the prisoners in our penitentiaries have not completed their secondary education! This serves as a painful illustration of the importance of education in a society. This alarming drop-out rate can be reduced significantly. Japan's drop-out rate has fallen from 29 percent in 1969 to 4 percent in 1980. In Sweden, this rate has gone from 25 percent to 15 percent between 1980 and 1985.

Japan provides us with a striking example of the benefits of a well-educated workforce. In Japan, the most prestigious annual recognition sought by all manufacturers is the Deming Award. W.E. Deming is an American statistician who first introduced the concept of total quality control to Japanese industry. And why is his name not familiar in North America? Well, Deming attempted to introduce the concept in America but our workforce did not possess the necessary training in mathematics and statistics to grasp the concepts and apply them to the situation in their plants. By contrast, when he attempted the same experience in Japan, the Japanese workforce had no such difficulty and quickly made the most effective use of them.

This is one difference educational quality brings to the competitiveness of a country. We must encourage a pattern of educational development that sustains complex jobs and long run productivity gains. Good education is an essential ingredient in the recipe for success and employment generation. We must emphasize the value of education so that it becomes the preeminent public policy issue.

The ABC of a science and technology policy begins with a strong commitment to quality education. And in the modern world, this means strengthening and extending our typically meagre science, mathematics and technology core to give our students a strong science base.

Unfortunately, our society has reduced education to a simple question of natural birthright. In so doing, we have forgotten that the quality of our education system must be measured against the best systems in the world; we have forgotten that education is first and foremost an investment in our people, in the future of our society. There is no doubt that we are talking about a major investment. But we are already committing a substantial amount of funds, the second highest amongst OECD countries. This is precisely the reason why we must now ensure the adequacy and quality of the education provided.

We would care more about our performance if we knew more about it. I am aware that no subject in education is more intellectually interesting and more fraught with political baggage than testing - the measurement of the performance of students and schools, the results of which are broadly disseminated. Yet objective measurement would serve the interests of the students, schools, parents, and prospective employers. Properly conceived and administered, such measures would be very useful for diagnostic, prescriptive and certification purposes.

The problem of education is one with national dimensions. Canada is one of the few advanced countries without national examinations. Yet, national examinations would provide a benchmark against which to compare the quality of output of schools across Canada and would thus introduce a healthy level of competition between schools across the nation. Given our relatively poor record of educational quality, the federal government should provide financial support to independent institutes to devise ways of measuring school and student performance and to put these measures to use. Recognizing that there is a legitimate national interest in education does not imply that there is corresponding imperative for the Canadian government to be interventionist. However, it does not follow that it should refrain from using non-obstructive instruments to point the system in the direction that will best serve our national interest. The urgent need to substantially improve the education quality would indicate that it should make this a priority in its efforts to improve economic competitiveness. The National Forum of Science and Technology Advisory Councils put forward a similar recommendation.

### Universities Have a Crucial Role to Play

Universities and other higher-learning establishments have a crucial role to play in shaping our society to compete as a knowledge-based economy. If we accept, as I have suggested, that the diffusion and adoption of new technologies is a key priority, then it follows that we need human resources with the capabilities to understand, adopt and modify domestically and internationally developed technologies. Universities and technical institutes are thus in a unique position to train qualified personnel.

The poor quality of education at the high school level has many unfortunate consequences, one of which is to denigrate mathematics and natural sciences in the eyes of the students. Although Canada has achieved remarkable success in meeting its objectives of accessibility to university, the distribution of undergraduate enrolment in universities poses a number of problems insofar as science and technology are concerned. It is particularly alarming that the proportion of undergraduate students in science and technology remains stable at a time when Canada is facing competition from nations that have made science and technology a major component of their development strategies. For example, the number of engineers graduating from our universities is the lowest of eight major industrialized nations, 2.7 per thousand workers, three times less than in Japan.

Enrolment in graduate studies in the natural sciences and engineering is also proportionately lower than in the United States or Japan. The problem here is not only one of comparison with our competitors. Many disciplines are experiencing shortages for graduates with advanced degrees and will continue to do so in the years ahead, as demand for scientists and engineers is expected to outpace other sectors.

There are two dimensions I would like to mention here. First, we must ensure that our universities have the resources to provide quality education and carry out world-class research. Canadian universities suffer from chronic underfunding. In real terms, the funding of research activities conducted by universities is about the same today as it was in 1970. Not surprisingly, our relative performance has deteriorated over this period. Last week, the Canadian government took a positive step when it announced that it would grant $240 million to 14 "networks of centres of excellence" for a series of scientific research projects that have been judged world-class by panels of international scientific experts. These networks of centres of excellence regroup several institutions across Canada, primarily universities, who will pool their efforts in similar areas of research. I think such a program is vital for a country like Canada since it will help to achieve the critical mass needed to carry out world-class research and foster a closer and more productive relationship within the Canadian university system.

Second, we must attract more students into science and engineering programs. We must make a commitment towards realigning our resources, both human and financial, towards science and technology activities. In this respect, the establishment last year by the Prime Minister, Mr. Brian Mulroney, of the Canada Scholarships Program, which aims at encouraging students to pursue undergraduate studies in science and engineering, is an excellent initiative. These scholarships of $2,000 renewable for up to four years clearly signal the importance we must accord to science and technology in order to influence Canadian youths to study in these fields. Obviously, initiatives such as the Scholarship Program will not solve all our problems. But it can constitute a powerful symbol of the determination of Canadians to master science and technology in order to enhance their country's competitiveness in the world economy and improve their quality of life. And in the end, a national consensus is built with such symbols.

In the new global world economy, industrialized countries compete on the technological front. We must always bear in mind that the unique character of science and technology requires the concertedness and convergence of public policies and private actions. Indeed, science and technology are public goods, in that society as a whole draws more benefits from innovation and technological progress than the entrepreneurs and the firms that bring the innovation to the marketplace. In other words, the social returns from innovation are higher, in fact twice as high according to recent studies, as the private returns.

These empirical findings have profound policy implications. They suggest that if left to the forces of the marketplace there will be substantial underinvestments in technological innovation. It also follows that governments are justified - indeed they are required - to make significant public investments in the production of scientific knowledge and the encouragement of innovation.

We would be foolish to neglect the necessity for well-designed public policies. The following example shows all too clearly the cumulative effect of misguided policies. In 1950, Argentina and Canada were in comparable situations. Both economies relied largely on natural resources and agriculture (wheat), their populations and per capita income were almost equal, etc. However, over the years, Argentina made some fundamental errors in the design of its economic policies. As a result, two generations later, this country is practically bankrupt with all the ensuing disastrous consequences for its population, whereas Canadians enjoy an enviable standard of living.

We must ensure that Canada does not go down the wrong strategic road. We must create favourable conditions and a social infrastructure which supports our ability to innovate. When we compare the support for industrial R and D in Canada with that of other industrial countries, we can rightly ask ourselves what the future holds for us.

We must encourage the development of a technological culture - an environment where business people will speed up the adoption and transmission of new technologies, where adding value through technological improvements will be a business objective. "Mobilizing Projects", aimed at rallying a cross-section of businesses as well as the public and educational sector around the goal of widespread adoption of existing technologies, could be a concrete step which can be begun right away.

The development of a technological culture is predicated on the assumption that Canadians have the abilities and training to acquire, diffuse, adapt, modify and improve the technologies. This presupposes an education system of quality with adequate emphasis on mathematics and science, where excellence must **be seen** as an achievable goal. After all, the quality of our educational system is but a reflection of our aspirations. As a society, it is up to us to choose and implement an educational system of international calibre. It cannot be said often enough: those societies which are enjoying the most rapid growth are those having placed a high priority on the value of their education system.

We must encourage quality education, particularly of sciences, at the high school level. Our focus should not be limited to the resources we commit: it should be on the results achieved. We must continuously push the system towards better performance. We must reduce the drop-out rate and significantly improve literacy. We must encourage a higher number of students to study science and engineering. We must promote education and training policies which will provide all Canadians with the opportunity to "retrain" and put at their disposal the tools required to domesticate technological progress and benefit from it.

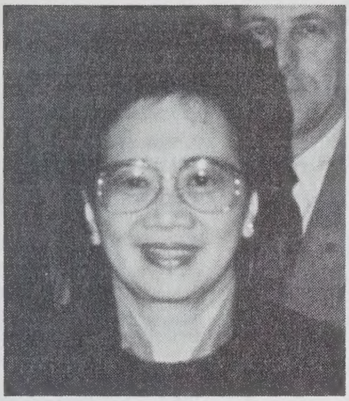
This is our challenge. Our priorities must centre on developing the social infrastructure that will allow us to compete successfully as a knowledge-based economy. We have a lot of work ahead of us. But lest you be discouraged, I would like to leave you with this poem by Goethe:

"Whatever you can do,
Or dream you can,
Begin it:

Boldness has genius, power,
and magic".

Thank you.

The appreciation of the meeting was expressed by Harry Seymour, Managing Partner, Waterston Financial Inc. and a Past President of The Empire Club of Canada.



November 6, 1989

A joint meeting of The Empire Club of Canada and The Canadian Club of Toronto

# Her Excellency Corazon Aquino

President of the Republic of the Philippines

# AN INTRODUCTION TO THE PHILIPPINES

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Chairman: **Sarah Band**
President of The Empire Club of Canada

**Introduction:**

Honoured guests, members of the Head Table, members of The Empire and Canadian Clubs; Ladies and gentlemen. It is my honour and privilege to present our guest speaker today.

History demands enormous sacrifices of our leaders, and it is through these sacrifices that greatness is achieved. We remember Roosevelt, Nehru, Churchill and King for their courage, steadfastness, compassion and strength. Today I introduce to you Corazon Aquino, a women who, without a single doubt, has taken her place in history.

She is a woman who has dedicated herself to her people's needs for liberty and justice, yet demands nothing for herself. Instead, she gives to her country her love and her courage. Love for those who suffer among her people, courage for those who seek a brighter future.

Few countries have suffered more in war or peace, than the country she leads. Few countries have felt the tremors of political strife more than hers. Mercifully, few countries have a better leader to give them strength and vision.

To say simply, "We admire you, Your Excellency", is to treat lightly the esteem we have for you as a woman and a leader. Let me salute you with a reminiscence from a speech to this Empire Club some time ago. The speaker said, “The function of democratic leadership, it seems to me, is to respect the past, convince the present and enlarge the future.” Our warm good wishes and heartfelt support go with you on your journey to the future.

Ladies and gentlemen, please join me in welcoming the President of the Republic of the Philippines; Her Excellency, Corazon Aquino.

## CORAZON AQUINO

I am here to introduce the Philippines to you as an area of investments. As businessmen and bankers, you have your own sources of information on the country. There are a number of Canadian companies here today who do business in the Philippines. Much of what I have to say is known to some of you already. Essentially, what I offer you in this brief talk is the perspective of one who has a hand in making the Philippines what it is today.

Before I take the responsibility for everything, let me briefly describe the country that the late dictator gave back to us when he fled.

It would be a bit of an understatement to say we had nothing, for in fact we had less. We had a negative GNP in 1985. The year before that we had a 50 percent inflation. We had a $26 billion foreign debt, represented by virtually nothing productive, and very little foreign exchange.

That was the economy.

The political scene offered a mixed picture. There was the people power revolution that installed a new government committed to swift democratic restoration. That was myself. But along with me were those who did help in the democratic restoration but wanted to carve up the country as a prize for their patriotism. Right-wing elements in the military wanted to share power with me. Now that was not in the program. I turned them down.

Another destabilizing element was the Left and its military arm, the New People’s Army. The Left claimed that since they opposed Marcos, they too deserved credit for the revolution and deserved to share power with me. This was a rather brazen request as the Left had objectively sided with Marcos by calling for a boycott of the election I was trying to win.

I will reserve the economy for last because it is what really counts. First, let me tell what I did with the Right.

Dissatisfied with the republican honours, and determined to call the shots in the government, the right-wing military staged several coups against me. The last was an especially bloody affair which was crushed completely. The military right-wing has since been in hiding and on the run, at any rate those who aren't standing trial. As the phrase goes, the army has returned to barracks and comes out only to fight the insurgents.

I offered to negotiate peace with the insurgents. I promised them peace, amnesty, a new life in a free country - in exchange for the surrender of their arms. They rejected the offer. I ordered the army to resume operations against them. By and large, we have prised them from their strongholds and have kept them on the run. We have captured virtually the entire top leadership of the Communist Party. The party is in such disarray that it has turned its wrath upon itself. Purges may have taken a heavier toll on the insurgents that engagements with government troops. It is a measure of their desperation that the insurgents have taken to killing unarmed civilians. While this has done them more harm than it has the government, it is not a development we are pleased with. It is not our intention to look good only by the crimes of the enemy.

We believed, and still hold, that the key to stability and progress in the Philippines is addressing the issue of legitimacy. It is the special character of the Filipino that he will not abide illegality in government. For all the power of the dictatorship, it could not rule effectively because it was widely regarded as an illegitimate and undemocratic government. So we had to address quickly the issue of political legitimacy.

On my accession to power, the only legitimate pillar of state was the Presidency. I alone had an electoral mandate. I had to rule as President and parliament rolled up in one. It was not wise to continue this state of affairs, given the Filipino's unfavourable view of authoritarian government. I moved quickly to reestablish all the other institutions of a free government. A democratic constitution was drafted and ratified by an overwhelming majority of virtually the entire voting population. In quick succession, we held elections for the legislature and for the local governments. In a year and a half, we had a full-fledged democracy.

But in that year and a half in which I governed the country alone, I instituted the structural reforms that now serve as the solid basis for the economic progress you can see in the Philippines today. The core of these reforms was the liberalization of trade, the freeing of market forces, the abolition of monopolies and privileges, and the retraction of the government from the economy.

In one year, we turned the economy around and started to post positive growth rates. In 1988, our GNP was 6.7 percent. Exports grew by 20 percent and reached an all-time high of US $7.1 billion last year. We did this, despite the debt service which annually takes 40 percent of the national budget. We estimate that by the end of 1989, the level of our external debt will reach 72 percent of our GNP. These factors should be taken into account in considering the growth rates we have achieved. They testify to the strength we have built into the economy.

Other countries have seen this strength and the promise of profits that it holds out. Hong Kong, Taiwan and Japan are investing heavily.

Canadian investments in the first eight months of 1989 were already about 280 percent of total Canadian investments in the past three years, although still small in absolute amounts.

The Philippines is the gateway to Asia. And it is widely believed that the Pacific will give its name to the next age of progress. We feel that Canada would be an ideal partner for the Philippines in stepping into this new era of Asian-Pacific growth. There are strategic reasons for this; not the least of them being the integrity of Canadian enterprise. We want investors who are mindful indeed of a good profit, and regardful as well of the interests of the country.

You can go to Asia and step into a totally alien environment or go to the Philippines, be at home in an English-speaking nation, with an honest and hard-working people, and still be right in the heart of the most dynamic region of the world.

Thank you.

The appreciation of the meeting was expressed by Sonja Sinclair, Communications Consultant, Price Waterhouse and Past President of the Canadian Club of Toronto.

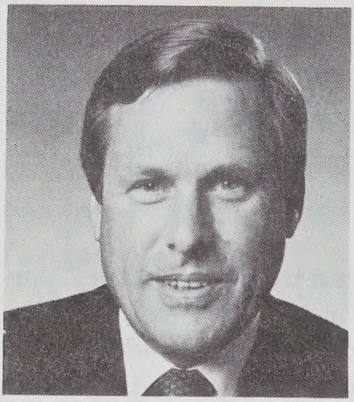
**Sonja Sinclair**

Your Excellency:

On behalf of all of us it is my pleasure and my privilege to thank you for accepting our invitation to address the people of Canada at this joint meeting of The Canadian Club of Toronto and The Empire Club of Canada.

According to William Shakespeare, some people are born great, some achieve greatness and some have greatness thrust upon them. Shakespeare, of course, was talking about men. He either didn't know or didn't bother telling us that **some women** qualify for greatness on all three counts. Today we have been honoured to welcome as our guest such a woman.

Thank you for coming and speaking to us. We hope your stay in Canada will be both pleasant and fruitful, and that you will remember us half as fondly as we will remember you.



November 9, 1989

## Rhys Eyton

Chairman, President and CEO, Canadian Airlines International

# THE CANADIAN AIRLINES INDUSTRY - BUILDING A GLOBAL COMPETITOR

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Chairman: **Sarah Band**
President

**Remembrance Day Message**

BGen. Stephen F. Andrunyk, Past President of The Empire Club of Canada and Chairman, The Royal Commonwealth Society

**BGen. Stephen F. Andrunyk**

This year, November the 11th will mark the 71st anniversary of the end of World War One. It is a day we have come to commemorate as Remembrance Day - a day when we pause to honour the lives and the memories, the courage and the sacrifice, of those men and women who risked all, that we may live in peace and freedom. It is a time when, as Canadians, we especially remember the 105,000 men and women who died in the service of Canada in wars and, more recently, peacekeeping operations and who lie not only in Flanders Fields but in all parts of the globe.

Remembrance Day should also be a day when we take time to reflect on the price of freedom and our responsibility to those who paid that price with their very lives. Their sacrifice should ever stand as a reminder that the price of peace and freedom is not cheap. It is a price in which we all have a share. We must, each in our own way, stand up for the principles of justice, freedom of choice, dignity of the human being, respect for law and 'order - principles for which they died and upon which this great nation was founded.

Our remembrance should never be intended to glorify war, but, on the other hand, neither should it trivialize the defence of freedom. Remembrance Day should remind us that we too must make a commitment to the preservation of the principles for which Canada stands in a form other than going to war. By pursuing peaceful means to resolve differences between nations we pay the finest tribute to those who fought and died that we might enjoy our way of life today.

So as we rise and stand in silence in tribute to those who died in the cause of freedom, let us also remember our responsibilities to our nation and our fellow citizens.

"They shall not grow old, as we that are left grow old
Age shall not weary them, nor the years condemn
At the going down of the sun and in the morning
We will remember them".

**Introduction:**

Honoured guests, Head Table guests, members of The Empire Club. It is my great pleasure to introduce our guest speaker today.

One Canadian writer said recently that "Rhys Eyton has cultivated invisibility so successfully that his unmatched talents have gone unnoticed by all but the very cream of Canadian business."

His business background includes stewardship over one of the most successful Cinderella stories of Canadian industrial development. His acceptance of the challenge to turn a small regional airline into a global competitor, has the great Max Ward saying of him, "Trust is the key. I trust Rhys very much. My era is gone, but Rhys is the man to carry on.". High praise indeed from the acknowledged legend of Canadian aviation history. Other, equally impressive quotations are abundant.

But perhaps Peter Lougheed says it best. "He's a visionary in the finest sense. He has the leadership capacity and the ability to be a success in anything he chooses". His transformation of an unwanted rural airline a few years ago, to the giant Canadian Airlines International of today is indeed a triumph of personal dedication and business teamwork.

Please join me in welcoming Rhys Eyton, whose topic is titled, The Canadian Airlines Industry - Building a Global Competitor.

**Rhys Eyton:**

Ladies and gentlemen;

I have been looking forward to addressing your club for some time, not only because of the importance of Toronto to our airline but as a timely follow-up to Max Ward's appearance about a year ago on the very day that he consummated the sale of his airline. Unlike Max's address, I have no momentous announcement to make, but plan to share with you some thoughts on our Canadian version of deregulation, Canada's major airport - Pearson International, current airfares, and finally the trend to globalization.

For a half century, Toronto and aviation have had parallel growth, with expanding airline services significantly contributing to the economic strength and vitality of this gateway city and our country. Some 23 million air travellers are expected to arrive and depart Pearson International Airport this year. This facility has come a long way in the 40 years since nine farm properties near the village of Malton were purchased by the city of Toronto for a new airport. Today, Pearson is by far Canada's busiest airport, now handling more than 330,000 flight arrivals and departures annually; more than 65 airlines carry passengers and cargo to more than 300 destinations in 60 countries. This ranks Pearson in the top 20 in terms of the busiest airports in the world - and building. Toronto is to Canada what Atlanta is to the United States. In other words, when a Canadian air traveller passes on, it makes no difference whether he is going to heaven or hell. Either way he has to change in Toronto.

If there is anything constant in the decade of the 80's it can be summed up in one word - change. Anywhere you look these days you can see change - nowhere is it more important than in the airline industry. The 1980's will be remembered in

Canadian aviation history as the decade of deregulation. In 1985, after having watched the results of deregulation in the United Sates, the Government of Canada tabled its "Made in Canada" version of deregulation in its White Paper called "Freedom to Move". This White Paper attempted to strike a balance between a deregulated environment in the more populated southern Canada and the continuation of a moderate form of regulation in the sparsely inhabited areas of northern Canada.

While the reaction to the White Paper was being considered, the Government agency responsible for economic regulation was slowly and deliberately loosening its grip on the issuance of licences, particularly in southern Canada. By the time the Government of Canada introduced legislation embracing the principles of "Freedom to Move", deregulation in southern Canada had virtually become a reality.

Deregulation was designed to stimulate growth and provide a wider range of services to the consumer by allowing carriers to respond to their perception of consumer demand, rather than to regulations in Ottawa. With all the benefits deregulation has brought to both the airlines and consumers alike, I find it very disconcerting when opinions are voiced about how bad it has been. We rarely read or hear about the many benefits consumers have enjoyed.

Has deregulation been successful? The answer is unequivocally - YES! In the four years since its official implementation, public demand for air travel has resulted in a 50 percent increase in the number of scheduled flights operating in Canada. It was not long ago, just prior to 1983, that Canada had only one national transcontinental carrier in a dominant position with over 65 percent of the market; there were four regional airlines; a trunk carrier with limited domestic services and a number of international routes primarily in the Pacific, a major charter carrier, and a number of small local service carriers throughout Canada. This cross section of air services could never aspire to compete effectively with the integrated network enjoyed by the then Government owned carrier - Air Canada.

Well, things have changed since then. Today, for the first time we have a balanced system in Canada and consumers have more than doubled their choice of carriers at all levels; international, transcontinental, regional and local. In the United States, it appears that airline consolidation is reducing down to about a half dozen major carriers. Canadian consumers, with two major airlines to choose from, will continue to do well, relatively speaking. The U.S. generates 13 times more traffic than Canada while only 10 times larger. Population density in Canada is only three people per square kilometre while in the U.S. it is 25, in Britain 231 and in France 101. We are fortunate to be in position to support two major airlines and a multitude of regional carriers when we compare ourselves to the airline developments in Britain and the United States, for example.

More Canadians are flying to more destinations, less expensively and more safely than ever before. And clearly, the single greatest benefit of deregulation to the consumer has been lower fares. Travelling by air in the 70's tended to be reserved for the well-to-do, but now deregulation of the airlines has opened up the skies for the majority. Today, more than 65 percent of all passengers in Canada are flying on fares with average discounts that range from 35 up to 70 percent.

Service to small centres has improved in almost all cases. While it is true that large jet aircraft do not serve every small community, commuter and regional airlines have met this demand with increased frequency using the latest, modern turbo prop and small jet aircraft available. The typical traveller today can choose from more airlines than he or she could have in the 1970's, and there are far fewer monopoly markets today than there were a decade ago. Under regulation, the requirement for all airlines to compete, expand, innovate and cut costs was not as acute as in today's deregulated environment.

If current growth rates hold, Canada's airlines will carry 25 million domestic passengers by the mid-1990's (or about 2 percent of projected world traffic). For the first time in history, more Canadians will fly than ride intercity buses and trains combined. It's also interesting to note that in 1989, the equivalent of one-fifth of the world's population, or one billion people, travelled by air - by the year 2000 this is expected to reach two billion passengers. That is if capacity constraints presently facing most major airports in the world are addressed quickly to permit airlines to accommodate this expected future growth.

## Pearson International and Terminal III

Today, Pearson International Airport is one of the world's major airports facing capacity constraints. It handles, on a daily basis, about one third of all take-offs and landings by scheduled carriers in Canada. It also handles half of all overseas flights arriving or departing from Canada. So when Pearson has problems, which happens far too often these days, the entire scheduled airline system is also affected. In fact, a morning delay at Pearson will, by the end of the day, have caused a domino effect at as many as five or more locations. Unfortunately, no one in government or industry could predict the demands that unprecedented growth would make on the existing infrastructure.

The capacity constraints in the present airport and airways systems will make it a challenge to accommodate future growth. That is why we need a planned and comprehensive approach to solving Pearson's problems. And if we want to plan for our future, if we want to create conditions of prosperity for Toronto through the 1990's, then we should address the runway situation now. I say 'we' because there are many different stakeholders in this appraisal. Certainly the airlines are part of this; but so are the travelling public, the business community, the neighbourhoods around the airport and the many smaller communities which rely on Pearson as their transportation hub.

For these reasons I want to be on the record as supporting the concept of the environmental assessment process for

Pearson. Our company will participate actively and constructively in this process - not only because we think two runways should be built as Transport Canada proposes, but also because we think these runways can be built without unduly affecting the quality of life for residents near Pearson. We think that the environmental assessment will show that the greater good of Toronto and southwestern Ontario will be served by the planned and managed modernization of Pearson.

There are a number of initiatives that indicate the industry is more sensitive to the community.

- the industry is investing over $11 billion in modern stage three aircraft which are quieter, and impose a much smaller noise footprint.
- Transport Canada is putting in a modern noise monitoring system around the airport - this is a move we support fully.
- We also support, without reservation, the imposition of stiff fines for those companies whose pilots break procedures including noise rules around the airport.

I think we all share in the same goals for Pearson: a quality and trouble-free airport and a fair deal for residents of the adjacent communities.

Terminal Three is another initiative that will help ease the people-congestion problem at Pearson. This will be the first International Air Terminal in Canada to be developed, owned and operated by private enterprise. The 1.4 million square foot complex contains nearly double the space of Pearson's other terminals and will feature three arrival and departure areas that will have 24 gates. Its spacious attractive design is in sharp contrast to the sometimes overcrowded and at times near chaotic conditions at Pearson's other terminals.

## Airfares

Now to turn to another aspect of aviation - probably one of the most important after safety and service - the subject of airfares. In my view, airfares are a bargain when you compare the price of the service to a decade ago and when compared to the many other products essential to our lifestyles. Compare airline fares, if you will, to the record of the consumer price index since 1979, and you will find that airline prices have risen about half as fast as goods and services in the rest of our economy.

A recent *Report on Business* magazine article featured a chart of "What Things Cost". They illustrated among other things, that a house in Toronto in the Bloor and Bathurst area cost in 1957 $17,900 - restated in 1987 dollars it's $83,000, but today costs $350,000, a 322 percent increase. That may be the extreme so I'll give you two other examples. A movie cost 50 cents in 1957; restated in 1987 dollars it's $2.30 , but the cost today is $6.50 - a 180 percent increase. Or how about the average income of $3,070 in 1957, which restated in 1987 dollars, is $14,237 but today it's $24,500, a 72 percent increase. Now for our product. In 1957 it cost $534 for the cheapest fare from Montreal to London, England - restated in 1987 dollars it's $2,477. But today the cheapest fare is $439.00, a decrease of 85 percent. The concern about pricing trends in the airline industry generally reflect substantial increases in costs such as fuel, which is the second largest component of airline costs. In fact, it costs more to operate in Canada than in the U.S. where fuel costs about 30 percent less, airport fees at most major airports are less, and items such as communication costs are also substantially lower. I can assure you that our financial results are not indicative of an industry that is charging its customers exorbitant fares.

Airlines are somewhat like what merchant navies used to be for many countries. They help establish economic links and are big generators of foreign currency, as well as being vital in moving people from one country to another. Another way to look at our airline product is as an export - every foreign traveller that we can carry is as much a generator of foreign currency as the shipment of a resource or finished product to a foreign destination. Foreign governments realize this and negotiate their air bi-lateral agreements carefully, recognizing what air services can do for their economies.

Expanding this thinking can make the case of ensuring that Canada builds airlines that can be globally competitive. This means that our larger carriers must have a firm foundation domestically from which international service can be launched and sustained. Foreign traffic alone will not support a large international route structure. While the Canadian Air Transport industry has been undergoing fundamental changes over the past decade, it is probably fair to borrow the expression "we are not alone" to describe the forces that are currently reshaping the international aviation scene. And while the industry prepares for globalization, a term I'm sure most of you are familiar with, Canadian airlines cannot afford to mark time on the international stage.

In the United States, deregulation has resulted in the formation of six mega carriers that transport 35 percent of the world traffic and carry 24 percent of the world's total air cargo. In fact, the U.S. domestic airline industry has become highly concentrated with 90 percent of the industry's domestic traffic moving on eight carriers. The age of the world wide mega carrier is upon us. British Airways currently cover 17 percent of the world's scheduled air routes while United Airlines cover 31 percent with no overlapping flights. Therefore, if British Airways had purchased a 15 percent equity share in United, they could have been able to offer passengers nearly half of the world's existing air routes, much more than any other single airline or alliance of airlines. Carriers throughout the world are entering into commercial agreements that are designed to flow traffic from their route networks to those of their partners. Airline analysts for some time, have predicted that the same economic forces that have brought global ties in other industries would bring them to the airlines too. It reflects a trend that has been evident throughout the business world for some time. Our world is increasingly a global economy and companies of all kinds understand the importance of establishing a truly global presence.

Much of the impetus for this has come from Europe, where the airline industry is preparing for a single European market by 1992, and is slowly progressing towards U.S. style deregulation of its airline industry. Looking for ways to survive in a more competitive integrated marketplace, European carriers are beginning to seek alliances based on the knowledge that size gives you access to larger markets along with some economies of scale; a 10 percent investment in Texas Air by SAS, a five percent investment by SwissAir and Delta in each other, just to name two of the more than 15 major airlines that have made equity investments in one another. Canadian Airlines has participated in this alliance trend by entering into commercial agreements with Japan Air Lines, Lufthansa, Alitalia, Air France and most recently with the world's largest carrier, Aeroflot. It seems the trend toward globalization and dominance of the industry by fewer, much larger carriers will continue. The present 18 carriers operating in western Europe could shrink substantially with some evolving into one or more of the dozen or so global carriers that will be operating at the end of this century. Carriers without critical mass or the financial resources needed to become a player in the global arena will need to form alliances or mergers or remain at second-tier levels with diminished global opportunities. They will essentially become feeder carriers to larger global carriers. A global marketplace needs a highly efficient aviation system and the lessons we have learned at home will be the same ones we need to practice in the global arena.

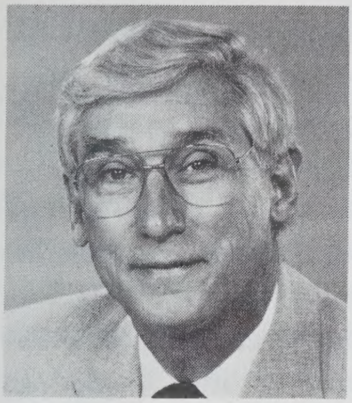
Fortunately, Canada's airline industry enters the era of globalization with an impressive track record. Our ability as a nation with a small, scattered market to support two world class carriers is no small feat. Our industry has been built by entrepreneurial initiatives, the same attributes that will be necessary to be a leader into the next century and globalization. Canada's airlines must take advantage of their favourable geographic position in North America and overcome the disadvantage of a relatively small and widely spread population.

On a closing note, I want to clarify what people think we are doing with Wardair and what is actually being done. The managements of Canadian and Wardair have been combined and the aircraft fleet rationalized while keeping Wardair service levels and product very much alive, by expanding them to the majority of our widebody fleet of aircraft. We believe that the reputation this service level has earned will be a most important factor in competing both domestically and internationally in the future.

I am proud to be a part of a dynamic Canadian industry - one that is critical to our country's economy, and to our major centres like Toronto.

Thank you.

The appreciation of the meeting was expressed by Sam Blyth, President, Blyth and Company and a Director of The Empire Club of Canada.



November 16, 1989

# David Martin

President, The Hospital for Sick Children

## SWALLOWING THE BITTER PILL

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Chairman: **Sarah Band**
President

**Introduction:**

Honoured guests, Head Table guests, members of The Empire Club. It is my great pleasure to introduce our guest speaker today.

The Hospital for Sick Children is a health care community dedicated to excellence in the compassionate care of children and their families. And behind every well crafted word of the Mission Statement for the hospital, known lovingly around the world simply as "Sick Kids", there is the thoughtful, careful, co-operative planning of David Martin.

Here is a man who accepted the challenge to change a hospital then $8 million in debt, planning for $12 million the next year - a hospital staggered and hurt by the worst kind of tragedy. A hospital reeling from exhaustive and microscopic public examination. Part of the reason for his hiring was, according to Chairman Allan Beattie, his "...broad overview, combined with passion and warmth".

To recite his virtues, as seen by his colleagues, is to invite the comment that, "only his mother would believe them all". His staff says, "He hides his ego in his pocket, so you don't even see it". And the Canadian Council of Hospital Accreditation carries the plaudits across the country. They say: "This is a superb hospital, unique in Canada and one of the best children's hospitals in the world".

But how do we keep our hospitals and our health care where they are today? David Martin's answer is in his address to us: "Swallowing the Bitter Pill".

Ladies and gentlemen, I am proud to welcome the President and Chief Executive Officer of the Hospital for Sick Children, David Martin.

**David Martin:**

I want to thank The Empire Club for the opportunity to discuss some of the challenges facing The Hospital for Sick Children and the health care system in the years ahead. I have titled this address "Swallowing the Bitter Pill". I plan to describe some of the problems currently facing us and then the capacity of the current funding system. But, of course, I wouldn't miss the opportunity to tell you about a few of the exciting things happening at The Hospital for Sick Children.

As Canada marks the 30th anniversary of the adoption of universal health care, we can be proud of a health care system that has been one of the finest in the world. Indeed, surveys repeatedly indicate that Ontarians and Canadians have a high level of satisfaction with their health care system, although a recent survey indicated some deterioration. Certainly it has many strengths. No one in this country is denied medical care for lack of money. We have a system of universal access that is, in my opinion, clearly superior to that of many other health systems. Further, Canadian researchers have contributed enormously to the advancement of medical research. These accomplishments have been possible only because we have encouraged excellence, and have provided the resources to make it possible.

The Hospital for Sick Children can offer testimony to public support for health care. We have been the beneficiary of enormous generosity on the part of the people and corporations of the Metropolitan Toronto area and beyond. Your support is making possible the construction of our new patient care centre, which will be the most advanced paediatric care facility in Canada when it opens in 1992. Almost half of the $220 million needed for the new facility has been provided by the Government of Ontario; $65 million will come from bequests, and the public campaign has raised more than

$50 million. We are grateful to all who have contributed to this effort. The new facility will allow us to treat our patients more effectively, and accommodate them more comfortably.

It is vital to our patients that the parent-child relationship be maintained. If you are a parent, you know that this can be a difficult task when a child is ill. And if you are from outside Metropolitan Toronto - which 50 percent of our patients are - the problem of finding reasonably-priced accommodation makes it even more difficult. On any given night at The Hospital for Sick Children, more than 150 parents can be found sleeping in lounges, or on cots squeezed in between cribs. In the new Centre, most children's rooms will be private - designed to allow the parent to stay overnight to comfort, reassure and help look after the child. We have also constructed a 75 room hostel for parents whose children are receiving care.

Another exciting development at Sick Kids Hospital is in the area of research. The Research Institute announced recently the landmark achievement of our research team in the area of cystic fibrosis, identifying the gene and its defect that causes the disease in 70 percent of the cases. The challenge was to find the genetic defect, which turned out to be three defective bits in a genetic chain of three billion.

This discovery and the method used constitute one of the most significant achievements in the history of genetics. The method used to locate the defective gene will provide the opportunity for researchers around the world to identify the genes causing other genetic diseases, of which there are more than 4,000. It could lead to gene manipulation and drug therapy that will allow us to make countless genetic diseases things of the past. This is the challenge ahead! Obviously, we are very proud of the accomplishment of our genetic research, which has also identified the gene that causes Duchenne muscular dystrophy. But we also have to keep in mind how far we have to go in the area of research.

In that context, I'm reminded of something that a member of a prominent transplant team told me recently.

He told me that "at the present time, our transplant programs are at a comparable state to the medical practices that prevailed when Louis Pasteur was attempting to get the medical profession to recognize the need for sterilization". In other words, we are only at the beginning in this new medical adventure. Where it will take us, and the costs, are unknown. It would be impossible to calculate, for example, the exact cost of the research that led to the discovery of the cystic fibrosis gene. That project changed course several times over the past 18 years. It would be impossible to predict with precision the course of medical research over the next 18 years, in genetics, transplantation, or other vital areas. The one thing we can predict with certainty is that the cost will be enormous.

In hospitals across the world, extraordinary technological innovations have given us the tools for better and more accurate diagnosis and for safer and less invasive surgery. We have shortened hospital stays and lowered the death rate and the severe consequences of illness. Finally, technology has allowed us to improve the quality of life for our patients once treatment is completed.

Fifty-one years ago, the late Dr. Robert Gross performed the first heart operation at Boston Children's Hospital. That first procedure involved closing the connection between the major vessels leaving the heart. It was a great step forward. For 48 years this procedure was widely used. It involved making an incision the entire width of the left chest, two hours on the operating table, and at least five to seven days of convalescence in the hospital. For the past three years, however, with improved technology, the child can be out of the hospital within 24 hours, moving full speed ahead and without a scar.

Consider another example of the value of technology. Suppose your two-day-old baby is rushed to the hospital, literally blue because a severe narrowing of the valve between the heart and the lungs is inhibiting the flow of blood. Until 1985, the only option was to perform heart surgery in order to open that very narrow valve. Twenty to thirty percent did not survive the surgery. Today, your newborn would be home in five to seven days and the older child perhaps the next day. Neither would have seen the inside of the operating room. Using a catheter inserted through a vein in the baby's leg, the cardiologist can inflate a balloon, dilate and open the congenitally narrowed valve. This technique can be used thanks to the excellent imaging of the heart by a cardiac catheterization lab.

These are some of the things technology can do for us. But while technological development in the medical field is galloping ahead, here in Canada we're not keeping pace. One of the relatively new devices is the lithotripter used to break up kidney stones. Instead of an operation, shock waves are passed through the patient for 45 minutes to shatter the stones. In most large cities in the United States there is at least one hospital with a lithotripter. In all of Ontario, we have only one, with a waiting list now of many months. There are more nuclear Magnetic Resonance Imaging machines in the State of Michigan than there are in all of Canada. In Metropolitan Toronto, there are only two MRI's, which are invaluable for diagnostic purposes. The MRI's we have in the city are booked months ahead. At The Hospital For Sick Children, with the largest paediatric neurosurgery program in North America, we have access to MRI facilities one-and-a-half days per week. Children who are outpatients must now face a five to six month wait for an MRI scan. We've recently concluded an agreement to send children who cannot wait for access here to Buffalo Children's Hospital, which has access to three scanners to service a much smaller patient load. Some would argue that it is wise to let others try new technology first, until it has been demonstrated that it is efficient and cost-effective. But lithotripters were first introduced in 1983 and MRI's have been on the market since 1980. I would say they have passed their trial period.

The long lines waiting for treatment aren't just because of a shortage of technology. The waiting lists for high-cost surgery like a coronary by-pass finally hit the front page last December, when Charles Coleman died after his heart operation was postponed 11 times. Mr. Coleman's case made headlines because he died, but his long wait for a heart operation wasn't unique. At Sick Kids we have - I regret to report - many children on waiting lists for surgery of all kinds. The waits can be extensive.

The bottom line is that quality health care has a price - and that price is going up. One of the major factors driving it up is the technology that I have discussed. Like generations before us, we cannot even begin to fathom what high technology of tomorrow will offer - but we do have an idea of what it will cost. For example, the cardiac catheterization lab I mentioned has a price of $1.5 million. The Hospital For Sick Children was fortunate to receive our lab as a donation from the Variety Club of Ontario, Tent 28. But you and I know that donations like that don't fall out of the sky every day.

Medical research and technology are not the only factors driving up the cost of health care. We have an aging population - and it is a fact of life that the older you get, the more medical care you need. About 10 percent of Ontario's population is over the age of 65, and they consume 40 percent of our health care dollars. Early in the next century, that age group will be twice that large. What impact will that have on our health care services?

And then there is the issue of expectation. Because our system has been so very good, Canadians expect to have almost immediate access to facilities and specialists. They expect the treatment to be the very best available anywhere. Please understand that my colleagues - the doctors, nurses, physiotherapists, social workers, the whole range of health care professionals - also want to give them that access and that first-rate treatment. When they can't, they're angry and frustrated. In other words, there is expectation on both sides - and that expectation has been fostered because this health care system has worked! Are we now willing to settle for less?

Now we face another dilemma: a world-wide shortage of nurses. That has become the Achilles heel of many hospitals, including Sick Kids. The situation is simple to explain: you cannot put a person in the hospital if there is no nurse to care for him. Right now we don't have enough nurses to fully staff our operating rooms or intensive care units. As a result, we have closed three of our 14 operating rooms. Each surgeon has had his allocation of time in the operating room reduced by 22 percent. This means that waiting lists for surgery are again increasing. Young women today have little interest in the typical female occupations that provide minimal opportunity for personal or economic advancement. The situation is exacerbated in Toronto where the cost of living and cost of housing are so high that it even reduces our ability to recruit physicians.

Consider the fact that a nurse in our highest intensity units with more than 10 years' experience is still expected to work the night shift for a premium of just 45 cents an hour, and has reached the top of her wage scale at $38,000 a year. Contrast this to the North York School Board that recently signed a two year agreement which moves the maximum for a classroom teacher to $61,000 plus a cost-of-living adjustment with enormously better benefits and no shifts. At The Hospital For Sick Children we have developed dozens of initiatives to improve growth opportunities and working conditions for nurses. But they haven't solved the problem, and it will not be easily solved. Among other things, it will require a great deal of money for nurse training and higher salaries, particularly for those working in downtown Toronto. And it's not just nurses who are in short supply, but other health care professionals as well: pharmacists, physiotherapists, child care workers...even paediatricians!

The question is: How are we going to meet all of these increasing costs? And can we expect the money to come from the taxpayers? Ten years ago, the Ontario government spent a quarter of its budget on health care - less than $4 billion. Today, the Ontario government spends about one-third of its budget on health care - $12.7 billion. They have spent more than $1.4 million in the hour we have been in this room. Obviously, when expenditures grow faster than inflation, the provincial budget and the provincial economy, something has to give. The Provincial government has made it clear that it does not intend to increase continually - in real dollars - its funding for hospitals. I'll be frank with you. If I were Elinor Caplan, I would be working just as hard as she is to challenge the hospitals and health care system: Be more efficient! Do more with less! I am not here to criticize her efforts.

We are seeing major changes in the delivery of health care: hospital mergers, changing patterns of delivery, rationalization of resources. These changes will accelerate as we adapt to the new realities. Management must be better. Partially due to restraints, 2,200 beds, the equivalent of four large hospitals, were closed in Metro Toronto this past summer, the highest ever. One can predict the implications of this trend if it continues.

I agree with the government that the answer is not more funding from the public purse. For one thing, additional funding for hospitals decreases the amount available for the environment, education, social services and economic development - all of which play a vital role in ensuring a healthier population.

But if the funds are not going to come from government, where are they going to come from? How are we going to afford the machines that can save lives, and the resources to cut down long waiting lists?

How are we going to pay nurses enough to attract them to the profession - and to keep them at the bedside?

There is strong economic pressure on physicians to reduce patients' lengths of stay. Considerable progress has been made.

But how much emphasis do we want to place on that particular solution?

Hospitals are at a disadvantage in this age of efficiency and streamlined manufacturing. The human body still has its limits in terms of its ability to recover. Moreover, provision of care services are labour intensive and not easily automated.

Certainly, the decision as to length of stay must be a medical one, based on medical reasons, not economic.

The Province is planning to create a more extensive network of community health facilities, to shift people away from large institutions. We see a role in this for our hospital - taking our experience and expertise into community-based clinics, just as we did 50 years ago.

Promotion of healthier lifestyles is now high on our public agenda.

But despite these measures people will continue to fall ill and be injured - and some will not adopt a healthier lifestyle.

Preventive care and community care programs will not reduce the cost of providing quality care in hospitals.

Indeed, by shifting less complicated cases to outpatient treatment - as we have done - we increase the intensity of care for those who require a higher degree of specialization.

With most of the hospitals in this province in a difficult financial position after years of funding less than inflation, how are we going to be able to maintain the quality of care that the public expects? That is the bottom line.

The fact is, we may have to revisit an idea that many Canadians oppose - and that is, some private fee-for-service. I have concerns about it myself. I just can't see another solution out there.

Many will argue that a change such as this would be an incursion on the principle of equality of access.

But the fact is this: If we do not find a way for hospitals to obtain more resources, equal access to health care may soon mean equal access to longer waiting lines for the use of outdated equipment.

In Ontario - and across Canada - equality of health care is becoming a levelling of health care.

Are some people already paying extra for health care? We have had a large number of children whose surgery was delayed. This often was at very real expense to the families in lost wages; fruitless trips to Sick Kids, often from some distance; babysitters needlessly hired.

I won't attempt to describe the emotional cost to patients and their families when surgery is booked, cancelled, booked again and cancelled again - and then finally goes forward on the third attempt.

Ensuring access to quality, timely medical care - if that is what we want, if that is the will of the public - will cost more money. If significantly increased funding cannot come from the public purse, we must explore other sources.

Many of our patients tell us they would not object to a partial fee if it would allow us to provide speedier service, and maintain or improve the quality of care.

For politicians, the idea of co-payment is a bitter pill. But it may be one that has to be swallowed if we are to avoid something that would leave a far more bitter taste - a health care system that is unable to provide the quality of care people expect and need.

We do have choices. I would hope that we do not wait until the VIA Rail type solution is upon us.

Ladies and gentlemen, a few moments ago I pointed out that our system of health care is one of the best in the world. It is admired by many and has earned many laurels. But laurels are not something to rest on, they are something to build on.

We can build on the base we have established, and create a system that will constantly improve in its stability to help people live longer, healthier and fuller lives.

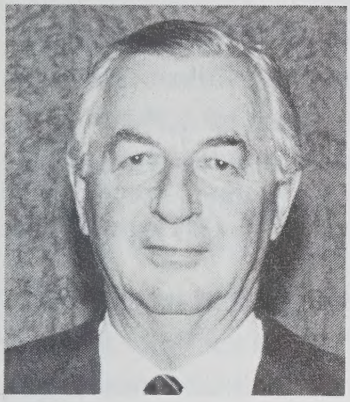
This is the goal we share. Achieving it will not be easy.

We will have to make some tough choices.

And, we will have to make some courageous decisions.

The time to start is now while these choices are still ours to make.

The appreciation of the meeting was expressed by Peter Hermant, President, Imperial Optical and a Past President of The Empire Club of Canada.



November 23, 1989

# Gavin Relly

Chairman, Anglo American Corporation of South Africa

# SOME VIEWS ON SOUTH AFRICA'S FUTURE

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Chairman: **Sarah Band**
President

**Introduction:**

Honoured guests, Head Table guests, members of The Empire Club, ladies and gentlemen. It is an honour to introduce the Chairman of South Africa's largest corporation as our guest speaker today. He heads a company whose employees and dependents number some one and a half million citizens of his country.

Gavin Relly's career in the Anglo American Corporation spans a period of forty years, of which three were spent here in Toronto among many of the business leaders here today. So I say first to Mr. Relly, welcome back to Toronto.

Gavin Relly's involvement with the social fabric of his country includes his term as President of the South Africa Foundation, an association formed to make South Africa's business better known around the world. He is on the governing board of three universities. He is a leader in the South African Nature and Urban Foundations. This last is a body formed to help resolve the housing crisis for black workers in urban centres.

He holds a Masters degree in Politics, Philosophy, and Economics from Oxford University. He is an outspoken analyst of South Africa's circumstances, whose words are heard and respected in his own country and abroad.

These achievements are a measure of this man's dedication to his business concerns and, of equal importance, to the welfare of his country and his people.

He is a person whose dedication to social justice has taken determination, steadfast and unrelenting resolve. He is a person to whom the words of Albert Camus may come with some comfort and encouragement: Camus said, "In the midst of winter, I finally learned there was in me an invincible summer".

Ladies and gentlemen with "Some Views on South Africa's Future", I present Gavin Relly.

**Gavin Relly:**

I won't attempt to assess the impact of Mr. Gorbachev's policies of glasnost and perestroika on North America or Europe, nor whether they will work as far as the USSR or Eastern Europe are concerned. They will variously be seen as bad, good, malign or beneficial depending on where we stand, but I don't think anyone can deny that they are profoundly important or that they have created significant input to change the behavioral conduct of nations and peoples.

Let me tell you rather of some of the effects on my own continent, Africa, a continent sitting uncertainly between the confident history of the old world, in which I include North America, and the strident ambition of what is now the new - the Pacific Basin. It belongs to neither. Apart from colonial associations it doesn't share the political or economic past of the former and temperamentally has little linkage with the latter.

I'm sure it is difficult for you to visualize how profound it is for the underdeveloped world to have heard from the mouth of the horse itself in Moscow that marxism doesn't work and therefore isn't for export. At a single stroke this turns the mind from the centralist demands of the State to a re-emphasis of the individual. It frees neighbours to look at each other for what they are, and not as potential surrogates for some remote ideology.

Of course, processes of change were taking place anyway in Africa as disillusionment and despair set in, and the merits of individual enterprise and free markets were starting to have their impact on relationships between states, but Mr. Gorbachev perhaps unwittingly has put a seal on the value of experimentation and has set most of Africa free to try and find more workable and pragmatic solutions within their own countries and between their countries. The United States of America clearly supports the import of this development as I imagine the Canadian Government does too.

Sadly, those in the South African Communist Party and many academics on the left in South Africa, seem to have been impervious thus far to Mr. Gorbachev's message and the practical experience of Africa over the last 30 years. The spectacle of Moscow, in some respects more pragmatic on South Africa than the Congress of the U.S., jousting with its erstwhile allies on the left in South Africa, adds piquancy to one's observation of the South African scene, though of course it has its worrying side.

Nevertheless all of this gives an enormous fillip to my own country, which, as you know, has been undergoing a slow process of deregulation and transformation for a number of years, both internally and in its external relations. Certainly many of the most offensive elements of apartheid's restrictions on people have been removed. This process has been slower than most people would have liked, but it has been real nevertheless and one might ask the question, "how slow is bad and how fast is good?" Only historians of the next century will tell us.

Why, one might ask, has it been so slow when happy chants of freedom have been ringing round the globe for a good long time, and human rights have been a cornerstone of the United Nations since its inception, and a practical policy of Canada, though sadly not of all of her colleagues in the Commonwealth?

The answer lies in many places, and it has to do with the whole history of South Africa, from the founding of Cape Town in 1652, soon after the first French settlers arrived in Canada. The story thereafter became one of the struggle between white settlers and indigenous peoples for scarce resources, particularly of arable land. This process did not include the decimation of indigenous peoples, though many frontier battles were fought.

The act of Union and the Independence of South Africa were confirmed by the British Parliament in 1910 on a basis which allowed the white man to govern the country, which he has done for the last 80 years.

Since then we have grown into a country (I cannot say we are yet a nation) of 35 million people. But with six major languages there is a communication difficulty between the groups and cultures, though English increases its role as a common media. More than 45 percent of our 26 million black people are under 18 years old, testifying to a far too high birth rate. There is great unemployment, not helped by sanctions and disinvestment and enormous backlogs in housing as masses follow the universal path of developing lands, of leaving the rural areas in search of viable urban lives. Of course, apartheid is responsible for some of our imbalances, but many are tout court the product of being a middle order developing country.

I do not wish to minimise the disastrous impact of apartheid but, leaving aside for a moment this dominant aberration, one can say that a relatively modern State has evolved with a sound infrastructure and a high per capita GNP by African standards, although a low one by the standards of the developed world.

The World Bank's World Development Report 1989 illustrates that, compared with the major OECD nations and contrary to conventional wisdom, South Africa is a poor country. In fact, it has recently been downgraded by the World Bank from the upper-middle income to lower-middle income category for the first time. In terms of GNP per capita it is just ahead of Cost Rica, Malaysia, and Mexico and just behind Poland, Lebanon and Brazil. Comparisons with Canada and Australia are equally illuminating. With a population of 26 million the Canadian GNP is six times that produced by South Africa's 34 million and Australia's half-as-great population produces a GNP three times the size of South Africa. Our relative ability to provide infrastructure and social services is therefore limited, compared with yours.

Nevertheless, the country is reasonably well-placed by the undemanding standards of our continent, to face the positively daunting task of creating an amalgam of the First and Third Worlds which the times, population growth and rapid urbanization are thrusting towards each other at a great pace.

The world perceives South Africa to have been governed by a group of obsessive racists whose only cause is at all costs to preserve their own power. Racist one should try not to be, but in fact I don't think the majority of white men in South Africa are racist, in the sense of hating people of different ethnic backgrounds. Most are tribalists and the preservation of the tribe was paramount. Apartheid is not an engaging policy. It never had a chance of working from an economic viewpoint and its moral turpitude stemmed from the attempt by a minority for its own benefit to impose it on the majority. If apartheid had been an experiment between consenting adults so to speak, it would no doubt have been seen as stupid but not immoral. Consenting adults are allowed to do anything these days.

Apartheid encapsulated the white, and particularly the Afrikaners', determination not to be driven by formless world opinion into the morass of Africa's equally formless non-being. The Afrikaner in Africa wanted to preserve his language, culture and institutions and in 1948 when apartheid was introduced he did not know how to do it other than on a tribal basis of separation, distinction and exclusion.

This all seems monstrously silly now to most white South Africans. The recent election said 70 percent of them voted for reform. One suspects that most of the balance who voted so to speak, against reform, were protesting both their own relative economic decline (which has flowed from greater resources being applied to the needs of the black community as well as from counterproductive sanctions) and their fears as to what sort of future a reform process would produce for them. These are quite understandable human reactions. I would judge that those who voted against reform on purely racial grounds, i.e. I hate black people anyway - were relatively few.

I believe we stand on the threshold of a genuinely new era in South Africa. I have discussed the extraordinary impact of Mr. Gorbachev in his deus ex machina role, which as far as South Africa is concerned has allowed us to escape our longstanding fixation with Moscow's supposed nefarious designs and see our future as being in our own hands rather than in others. It has by precept given new life to individualism and the market, not just for South Africa but for most of Africa too, and has given impulse to the old adage that together we stand or divided we fall.

What do these thoughts mean in practice for South Africa? The international community, wringing its hands now for a generation, has sought to "do something" by backing that well proven back-runner, sanctions, the fundamental effect of which, to the extent they work, is to diminish the ability of any government in South Africa, present or future, to achieve desirable practical equity amongst its people and it has encouraged extremists on both the right and the left.

The White House under President Reagan and his astute agent Chester Crocker pursued a policy of "constructive engagement." I have never understood the hostility shown in the USA and elsewhere to this policy, which to my mind displayed a realism about Southern African affairs which went to the heart of the matter. When sanctions engaged the emotions rather than the intellect of Congress, the academia, the States and cities of the United States and the Commonwealth, the U.S. adminstration was quietly burrowing away at the issues which made sense on the ground: independence for Nambia, the proper location of Cuban troops and the legitimate security fears of South Africa and the Southern continent as a whole.

I think this clear-minded and painstaking process has justified itself in what still looks to be a successful fulfilment of UN

Resolution 435 - in bringing about independence in Nambia and the removal of Cuba troops from surrogate adventurism in Angola. It should be remembered that Dr. Crocker did the groundwork for these achievements before Mr. Gorbachev came to power, and against the background that the administration did not favour sanctions. The processes of history take time.

In addition, I think the Reagan administration set in hand the notion that in Southern Africa resources were too limited for them to be wasted on bush wars, and that sights should be set on regional co-operation. I have no doubt that South Africa reacted better to the encouragement from the White House and from Downing Street to move forward, than to advocacy and imposition of sanctions and boycotts.

Likewise in Mozambique and Angola, regional assistance and co-operation have become the accepted wisdom. Meetings on regional matters by Mr. De Klerk, with President Mobutu of Zaire, President Kaunda of Zambia and the forthcoming meeting with President Houphouet Boigny of Ivory Coast, are indicative of African reality but helped also by the broad implications of glasnost and President Bush's recognition of global interdependence.

Our new State President has bound himself and his government to create, over the coming five years, a new South Africa. Why over five years? Surely the world has waited long enough for radical change? Surely the promises of earlier governments, Rubicon crossings and statements at the United Nations have been conspicuous only by their lack of follow up?

Wise women and men have long since recognised that if the goal is a reasonably democratic South Africa, which, whatever its constitutional system may be, is not racially discriminatory, then the odds are that this goal cannot be achieved dramatically by fiat. We will certainly strive for this goal but in any reality it can only be achieved over time if, perfectly, it can be achieved at all. The international community must not reject in South Africa the workable just because it is not the ideal.

Why then five years? I think it is a common cause in South Africa that we will not have another election again, no not ever, based on the present Constitution which accords the vote only to white, Indian, and mixed race people. I repeat, this is common cause for the majority of South Africans.

Mr. De Klerk's formal power base terminates in five years and, in my view, no doubt in the view of the international community and certainly in the view of my fellow citizens, that period must bring absolutely credible progress towards a form of democracy acceptable to the majority of South Africans.

Mr. De Klerk has invited all South Africans to join in a process of discussion and negotiation towards this end, provided they will participate in achieving a new South Africa on a peaceful basis. But all South Africans do not want to do that. For many, suspicion about the past and honest doubt about motives, play a great role in their thinking. For others the prospect of the radical change which must be wrought is too heartrending to be contemplated and the comfort of the known is preferable.

For others still there is the view that gradual change, of the nature inherent in the concept of negotiation, will leave the institutions and privileges of the past intact and therefore revolution can be the only solution. One might summarise by saying that revolution is a supposedly quick fix for the underlying socio-economic issues just as maintaining the status quo reflects a desire to avoid the issues altogether.

Mr. De Klerk's formidable task is nevertheless to weld these attitudes together by starting, as he says, to lay emphasis on those values which bind all South Africans together and not on those which separate them. They are, as he also says, a common South African citizenship, the rule of law and a bill of human rights and constitutional methods to eliminate domination of one group over another.

This last point may sound strange in your society where no identifiable group dominates another, but in South Africa we have to be realistic both about First and Third Worlds, the lack of a national language or culture, many real tribal differences and the urban problems caused by massive movements of people into the towns whose interests and needs differ from those who perforce continue to dwell in tribal societies.

What are the practical requirements for a process of peaceful reform in South Africa.?

Number one is obviously a belief in and demonstration of the bona fides of the people who now govern the country. A process of radical change without revolution must rely to a considerable extent on goodwill, and no goodwill can exist without trust. I do believe in Mr. De Klerk's bona fides because we only have five years in which we can get over hurdles. He has certainly done his best to demonstrate it in his first 60 days by releasing important political detainees and in allowing protest marches and meetings. These may seem easy and simple actions but in the context of the history of my country they are courageous and dramatic decisions on which there can be no going back.

Number two, we must have a sparky economy to give resilience to reform. Many countries have had radical changes in the nature of their governments in the name of freedom or independence and I do not have to argue the subsequent deterioration of the living standards of the liberated. Reform and the process of change from one system to another in todays' complex world not only means engaging and maintaining the support of those who will lose privilege, but encouraging the support of those who hope for benefit. This is an expensive business, as Mr. Gorbachev is finding out.

In this regard, an astute U.S. observer on South Africa recently remarked: "When AIDS, the need to compete on the global stage, the fragile nature of the environment, and the sophistication of information age technology demand the full attention of all societies, the sounds of freedom songs and hymns of national liberation - even though haunting and emotive - no longer have the clear and penetrating tone they once did. No group of people - no matter how they symbolise themselves - can thrive in modern society without spending more time in policy think tanks than in revolutionary meetings of 'the people'."

Those who continue to cry for sanctions for multitudinal (and not always admirable) reasons, should consider carefully whether their supposed moral purpose is achieved by trying to create economic conditions in South Africa which may make a process of transition infinitely difficult and the inheritance of an economic wasteland infinitely unattractive for the people who must dwell under whatever successor government there may be.

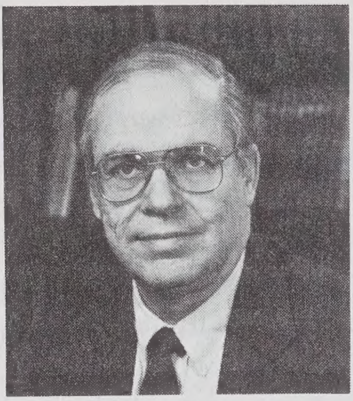
Third, the world must not see South Africa as an isolated problem of human relations on its own. It is part of the southern subcontinent of Africa and its people, of whatever hue, are Africans. South Africa is the most economically advanced of African countries and it is perhaps the enigma of the continent in the sense that coming to grips with the looming 21st century imposes on it in concentrated form many of the pressures which are manifest on the globe as a whole. Success in its own experiments in achieving an African dynamic will certainly be of the greatest possible value to its neighbours and the world should enhance and support this process rather than frustrating it.

Indeed interdependence and co-operation within regionalised economic structures is now better understood to be a global trend. Whether it is the move towards integrated markets in North America (Canada, the U.S. and Mexico), the Far East, or Europe, the economic imperatives are the same. Trying to achieve EC economic integration without one of the major economies of Europe, such as Germany, would be unthinkable. Trying to develop Southern Africa without South Africa is equally unthinkable. And, at a time that the divisions between Eastern and Western Europe are dissolving, "like an aspirin" as Giscard d'Estaing puts it, it ill-behoves the EC, the U.S., the Commonwealth or the Far East to promote a policy in Southern Africa having the effect of putting up barriers between South Africa and the rest of the region.

There are many who feel, though I don't think many of you here today feel, that South Africans, in terms of its white people, owe some recompense to history for the role they have played both as surrogates of Dutch and British imperialism, and in their own right as the dominant tribe in Southern Africa. I do not intend to make apologies for a history which has not always been admirable in human terms, and which in this generation has called down legitimate calumny on our heads. It is a story of great stupidity and vulgar self-interest and also a story of great heroism and bravery and people of all colours have been involved in all respects.

But the future is more important than the past and I sincerely hope the Canadian people can help us create a future which will indeed be a restitution and also a beacon to many other countries in the world which struggle with seemingly implacable problems.

The appreciation of the meeting was expressed by Douglas Derry, Partner, Price Waterhouse and a Past President of The Empire Club of Canada.



November 30, 1989

# The Hon. Derek Burney

Ambassador of Canada to the United States of America

## THE VIEW FROM WASHINGTON

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Chairman: **Sarah Band**
President

**Introduction:**

Honoured guests, Head Table guests, members of The Empire Club, ladies and gentlemen. Pennsylvania Avenue, Washington, D.C., has been the address for several distinguished visitors in the history of The Empire Club. Our guest today is distinguished among them for being the first Canadian. As well, he was on hand for the opening of his Chancery and he was its first resident. It covers a quarter of a million square feet, has an art gallery, auditorium and library, and is Canada's 'home away from home' in America's capital. And it's just down the street from the White House. But Derek Burney is not here as the tour guide of Canada's Embassy. Rather, he is here as our country's worthy representative to the most powerful nation on earth.

Mr. Burney is a native of a Canadian city which doesn't exist any more, an honours graduate of Queen's University and a language graduate of the Study Centre in Tokyo. As an *officer* of Canada's External Affairs department, he has represented our country in New Zealand and Japan and as an *ambassador* in Korea.

His administrative challenges have included the running of the Summits in Ottawa in 1981 and in Quebec in 1985. He has been the Associate Under Secretary of State for External Affairs and Chief of Staff to the Prime Minister of our country. Since January of this year he has been our, "man in

Washington," at a time in our history when good relations have never been more important, or the strength of our representation more vital.

Remembering John F. Kennedy's words, "Let us never negotiate out of fear, but let us never fear to negotiate", Canadians can be proud to have a man of Derek Burney's stature represent our country.

On your behalf I welcome Canada's Ambassador to the United States of America, the Honourable Derek Burney of Fort William, Ontario.

**The Hon. Derek Burney:**

After almost a year as Ambassador to the United States, I have developed a number of views that I want to offer you today:

- First, a view of my job;
- Second, a view from my job;
- Third, a view of Canada as seen from Washington.

My underlying objective, I admit at the outset, is to impress upon you a message of some relevance to your own attitudes as Canadians.

As to my view of my job, it is really quite simple. I am in Washington to represent Canada, to protect and advance Canada's interests in its relations with the United States, and to influence American attitudes in the light of Canadian objectives.

Representing Canada would be a tough job if I had any doubts or fears about Canada's identity. Well, I have none at all. Some of my fellow citizens might say that such an attitude is un-Canadian and disqualifies me for the job. Most of them, however, would join me in saying that a representative who doesn't know what he represents should catch the next plane home.

I for one refuse to accept the idea that Canada is still an adolescent, pondering what it wants to be when it grows up. Canada *is* grown up. Canada is you and me and all of us who choose to be Canadians. Choice defines us and frees us, while fixed formulas would trap us like flies in the amber of history. That is why I believe Sir Wilfred Laurier gave the best one-line definition of Canada I have ever heard. "Canada is free", he said, "and freedom is its nationality." Certainly that is the definition I bear in mind in approaching my job as Canada's ambassador in Washington.

Canada is free, among other things, to make as much or as little as it wishes of its relations with the United States. We can be as close or as distant as we care to be, barring only the dictates of geography. We can accept or reject American ideas and America policies as we please. Whichever course we choose, we exercise our freedom so long as we make our choice in the light of informed opinion and our own best interests.

We limit our freedom, however, if we merely define Canadianism in anti-American terms. Perhaps the worst thing about prejudice is that it narrows one's range of choice. There is no freedom in automatically equating the belittlement of the United States with the magnification of Canada, or in asserting pseudo-differences out of some compulsion to look different.

There is no freedom in these attitudes: no freedom, no sense, and no profit. And anyone who can find a scrap of identify in such thinking has found an identity that is too small and too shortsighted for me to share. So, when I went to Washington last January I carried with me a strong sense of Canada and of Canada's independent interests. But my baggage also included a realistic recognition of the interdependence of Canada and the United States and the interests we have in common.

Not surprisingly, I believe that Canada's relations with the United States are of the highest importance to us. I do not define Canada by reference to the distance or closeness of that relationship, any more than I define Canada by reference to the faults or virtues of the United States. But I am convinced that the relationship constitutes our greatest single national interest beyond our own borders.

We live on trade, and 75 percent of our trade is with the United States. We are joint stewards of the North American environment with the United States, partners in North American defence, and allies in the defence of Europe. One of our key channels of influence on the world stage is the influence we can have on decision-makers in the United States.

On every front, the relationship is vital to us. This state of affairs does not trouble me. And if it did, my response would *not* be to treat the relationship as something less than it is. Refashioning geography is beyond our powers. Besides, a more remote location from the United States would entail costs and losses that few Canadians would wish to bear - even in exchange for whatever psychological uplift might be thought to flow from a new location.

Canada is what it is, where it is. We do not have to isolate ourselves to *be* ourselves. We *are* different from Americans, and we know it. Great differences in size alone are enough to make us different - not size in terms of landmass but rather in terms of population, wealth and power.

The challenge for us in "Living with Uncle" is to manage the power imbalance in ways that serve our interest and reflect our unique role. It is not easy.

Special interests have primacy in the U.S. political process and the fragmentation of power in the U.S. system gives these interests many avenues for influence. We are obliged to play the power game in Washington the best way we can - by earning influence of our own. We succeed best by vigorously pressing legitimate claims of partnership, not by squeezing every last drop of disagreement from real or perceived differences of approach. After all, there is a difference between attention gained and influence exercised.

The distinguished Canadian diplomat, John Holmes, had many observations about both Canadians and Americans. Let me cite one sample: Holmes once wrote that "Canadians have a sour reputation for nauseous holiness and hypocrisy" and, he added, "Our rhetoric too often outpaces our contribution." Holmes was equally pungent in castigating Americans whose greatest sin, he believed, was overstatement. "They are blessed and cursed with a messianic complex", he wrote. "We would find it easier to acknowledge their great services to mankind if they would not insist on their moral uniqueness." If managing power imbalances was not enough of a challenge, just try blending holiness with moral uniqueness!

How do we work at influence? We seek access at all levels in Washington. Through access we influence American opinion and American action. We practice advocacy diplomacy and we seek to build alliances with American constituencies. That is the stuff of Canadian diplomacy in Washington and the main part of my job.

Through it all we try to demonstrate that what is good for Canada is often very good for the United States as well, and that what is good for us both can be good for the world.

I never cease to remind Americans - in the administration, in the Congress, and among the general public - that we provide by far their largest single market, as they provide ours. They are vulnerable to our sins against the North American environment, as we are vulnerable to theirs. They need our cooperation for their defence, as we need theirs. And our independent voice in world councils can be helpful to them, as theirs can be helpful to us. And that is how I see and do my job in Washington.

Let me turn now to the view *from* my job and give you a brief report on the Washington scene.

Harry Truman is often quoted as having said, “If you want a friend in Washington, buy a dog.” (I brought one with me) But if you want entertainment, you don’t have to buy tickets to a football game at JFK stadium or to a hockey game at the Capital Centre. In Washington, as one observer put is, “Politics is the only sport for grown-ups - all other games are for kids.”

Well, President Bush has now been in office long enough that we have a fair measure of the major players and of the way the game is going. The President remains very popular. According to a recent poll, 76 percent of Americans approve of the job he is doing, and a very respectable 29 percent strongly approve. (Those are ratings other politicians dream about). George Bush has lived up to expectations as a pragmatic and knowledgeable political leader. He knows Canada well, has an excellent rapport with the Prime Minister, and is sensitive to Canadian concerns. And he has surrounded himself with highly capable advisers of a similar bent.

But power is shared in Washington and President Bush is not scoring all the points. Nor does he always control the ball, or the puck. Until recently, the Congressional situation allowed him to take the lead in such areas as drug abuse, child care, education, the environment, and foreign policy. The Democratic majority in the Congress, however, is now recovering from a fractious first six months largely dominated by ethical issues, and is challenging the President's leadership.

As to "goals for" on the scoreboard, the President was able to obtain Congressional approval for his plan to rescue the shattered U.S. savings and loan system. He has support for his drug strategy, for his proposed clean air act, and for his bold move toward cutting conventional forces in Europe. These are impressive achievements. And certainly Canada can be gratified that the President scored so well on the environment and arms control.

As to "goals against" or "shots on goal", the President has been under fire from some quarters - and has earned plaudits from others - for his stand against federal funding for abortions. He has been frustrated on his stand in favour of a constitutional amendment to prohibit desecration of the American flag. He has been criticized for his caution in response to events in Panama and in Eastern Europe. And he has suffered reversals in his move to cut the capital gains tax. Consensus is never easy to achieve in Washington - which just goes to show you how different we are from the Americans! Legislative progress has been slow on Capital Hill, and issues are beginning to pile up on the agenda. There is clearly a pent-up demand for more effective government action in such areas as drug abuse, education, and reform of the economic infrastructure. The administration wants to respond, within the limits of the budget, but it is not yet certain what Congress will support.

Health care is another matter of increasing concern to individuals, insurers, care providers, employers, unions, and all levels of government in the United States. Some Americans look northward for answers to their problems in this field, while others believe that we have more problems than answers to offer. The only unifying factor is anxiety about the costs of health care - which are higher than they are in Canada, even for a system that is less than universal. There is some irony in this Washington focus given what we heard in Canada a year ago about the purported threat to the Canadian health care system under the Free Trade Agreement.

On the economic front, the Washington mood is mixed. The economy has continued to grow, albeit at a slower pace. Unemployment remains low and inflation has been kept at bay. But the statutory targets for reducing the budget deficit appear increasingly unreal in political terms. The basic problem regarding the budget deficit was well expressed by one American journalist. In his words, "We (Americans) elect Democrats to congress to give us stuff. We elect Republicans to the White House so we won't have to pay for it." (I *think* the man was joking!)

The U.S. trade deficit is equally intractable and protectionist pressures are unrelenting. While the Administration maintains its commitment to liberalized trade, no fewer than 810 bills with trade-restrictive provisions have been introduced in the first nine months of the present 101st Congress - as compared with 599 and 379 bills respectively in the first nine months of the 100th Congress and the first nine months of the 99th Congress. (I give you these figures just in case anyone is keeping score).

Foreign investment is also a matter of growing unease in Washington. The Japanese takeover of Columbia Pictures and of Rockefeller Centre set off echoes that were oddly familiar to Canadian ears. There is a general malaise in the Washington air regarding current shifts in the economic power structure of the world. This malaise could all too readily be translated into further restrictions on foreign investment in the name of national security. The Administration is alert to this risk and is seeking to contain it. And we at the Embassy remind all concerned that such restrictions - apart from limited agreed exceptions - would contravene the FTA.

On the foreign policy front, the stunning developments in the Soviet Union and Eastern Europe have fired the hopes of Americans and Canadians alike. History is not dead, as some American theorists say; history is on fast forward. There is also some risk that it might shift into the replay mode as old ethnic divisions begin to manifest themselves in some areas of Eastern Europe. President Bush, along with all Western leaders, faces an enormous challenge in responding to these changes. He is being told he should be cautious, and also told he is not responding fast enough. He is being told to keep up defences, and to cut his defence budget; to maintain strictly commercial relations with the Soviet Union and Eastern Europe, and to provide economic assistance. President Bush is in close touch with his summit colleagues and, last evening, had a thorough review with our Prime Minister about what is happening and how the West should respond. Stand by now for an extraordinary weekend in East/West relations.

On the North American front, Prime Minister Mulroney and President Bush are both personally committed to a strong bilateral relationship. They have met five times this year - unprecedented in itself. And they are often in touch by telephone and by letter. Their chief cabinet officers also meet regularly to review bilateral concerns. Talk about access! There you have it. And that sets the tempo and the tone for the relationship as a whole.

For too many years, acid rain has been the one anomaly in our otherwise exemplary record of environmental cooperation. Now Congress and the Administration are working together on a bill to control acid rain. Now a bilateral accord on this problem is in sight. Talk about progress! This is one case where Canadian persistence - anchored by the facts and by actions of our own - is paying off.

We are now approaching the first anniversary of free trade and, at this very moment, John Crosbie and the U.S. trade representative, Carla Hills, are reviewing the record in Ottawa. Certainly some of the apocalyptic forecasts we heard in Canada before the agreement came into effect have not materialized. The agreement is now being judged - more legitimately, I might add - on its economic merits and its real purposes. After all, the agreement was not intended to make Canada and the United States more alike. Rather, it was intended to reinforce the comparative strengths of our two economies, to remove tariff and non-tariff handicaps to trade between Canada and the United States, and to provide better rules and better umpires to discipline the world's largest two-way trade relationship. And that is what it is doing. The agreement is not foolproof: there are differences to reconcile and irritants to resolve, and much work left to complete.

We know too that there are sceptics on both sides who are anxious to demonstrate that the agreement is not fulfilling expectations. I welcome such scrutiny, I welcome even more the efforts being made by the private sector in Canada to seize the opportunities available under the agreement - the increased investment and the increased production that can flow from an even larger and more certain U.S. market. (Yes, that is a commercial!) And yes, there are real successes to highlight. I am obviously pleased that we have concluded a new package of faster tariff cuts covering hundreds of items and involving more than $7 billion of trade. This is tangible proof that the agreement is working in the manner intended.

Have you noticed that a lot of our differences seem to revolve around questions of proportion? For example, Canada has difficulties with oversized knotholes in U.S. plywood. The United States complains about undersized lobsters from Canada. And now we may have a problem with oversexed moose. According to recent press reports, hunters in Maine are outraged that their bull moose are being lured across the border by hunters from Quebec with a special talent for the cow moose love-call! (There is nothing in the FTA that will help on misleading advertising). More seriously, the unique dispute settlement mechanisms of the FTA are being tested by both sides - and we are both going to have to learn to live with their verdicts, imperfect as even they may be. This does not mean that we Canadians are going to win every time. Nor is the judgement of any one panel the litmus test for the agreement as a whole. Let's leave the litmus paper to the chemists in their laboratories. The real measure of success will be whether our two economies emerge stronger, healthier and more competitive as a result of the agreement, and whether we can, on the strength of this agreement, check the forces of protectionism. The process will take time and effort. The agreement needs time to take root and bear fruit. Its obligations must be respected and its spirit nurtured by both governments. And, I submit, it is very much in our interest - Canada's interest - to see to it that the agreement does work. The politics of nuts and bolts, or hogs and logs, or shakes and shingles and the like may not be as captivating as the politics of war and peace, but they are very much the stuff of Canadian diplomacy in Washington today. And that is as it should be.

And now for my third message - a view of Canada as seen from Washington - a topic I approach with some caution. No diplomat should indulge too freely in what might be called interference in the domestic affairs of his own country. But I must say that the view of Canada, as seen for Washington, is a bit mixed. How's that for a diplomatic opening?

We are seen, in some quarters, as a solution constantly in search of a problem. We seem a bit melancholy, even sour, about our lot in life as Canadians - a fate, incidentally, which others with real problems would envy. We seem to have difficulty celebrating our success as Canadians or finding grounds for enthusiasm in what we have as Canadians. That, I must confess, is as difficult for your representatives abroad to understand as it is puzzling to foreign observers.

How ironic it is that others see Canadians in much more positive terms than we often see ourselves. It may have something to do with our history, our environment (those cold winters?) or our penchant for belittling our own success and our own heroes. You know the story about the Maritime lobster fisherman, carrying a pail of lobsters up from the wharf. Another fisherman notices there is no lid on the pail and warns that some of the lobsters may escape. Oh no, says the first fisherman - these are Canadian lobsters; as soon as one makes it to the top, the others'll drag him down. Well, I digress!

But I want you to know we are seen in a very positive light in Washington - a positive light that we have earned because we are doing very well these days as Canadians in the United States. We all know about the success of the Seagrams and the Olympia and Yorks and other Canadian Mega-companies in the United States. But what about the smaller ones?

Well, take Amherst Aerospace, for instance. This company, operating out of Nova Scotia, has a workforce of over 300 people who are highly skilled in the production of aircraft detail parts and sub-assembly work. Amherst Aerospace is designated by Boeing as a world-class supplier: small but smart, and growing. Its U.S. sales have gone from $3 million in 1986 to over $4 million so far in 1989. That represents about 30 percent of the company's total sales.

Or look at the approximately two dozen Canadian women's wear firms from Quebec and elsewhere that have set up distribution ventures in the United States this year for the first time. The U.S. distributor for one of these firms - Northwear Fashions of Montreal - projects first-year sales of $9 to $11 million for its "Dash" line of women's outerwear. Incidentally, according to a report in *Women's Wear Daily* the bilingual labels required under Canadian law "add some extra flavour in the U.S." How's that as a plus for bilingualism? Think about it.

Another success story is represented by Calgary-based Keyword Office Technologies. Keyword has developed a unique software that allows users to maintain compatibility between different office computer systems. About 70 percent of its products are exported to the United States, where its sales in 1989 will be in excess of $10 million. Over the next few years it expects to benefit from sales of $18 million as a sub-supplier under the mega-contract awarded this year to AT & T by the U.S. Air Force.

Did you notice, by the way, that each of the examples I have just given you come from outside Ontario? I thought there would be merit in giving that kind of survey in Toronto. (At least that is what I was always taught in Thunder Bay).

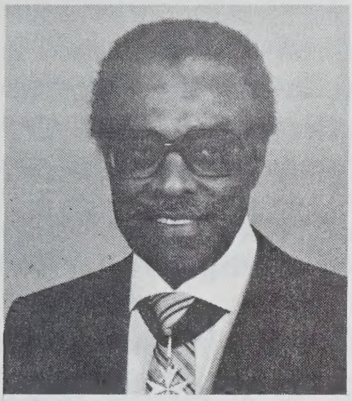
The fact is that we can and do compete. The quality of production, the quality of service, the quality of life right here in Canada are world class - whether we notice it ourselves or not. When I look at the exuberant diversity of Canada, when I see that diversity integrated by a sense of shared experiences and a shared enjoyment of our Canadian liberties - I grow more convinced than ever that there is no need for any wringing of hands about identity. When I look at Canadian companies expanding into the United States and taking on all comers, when I see the front-page coverage given to Canadian investors in the American press - I grow more convinced than ever that there is no need to fret about being "smaller" than the United States or about our ability to compete.

We are as small or as big as we choose to be. We have every reason to be confident about our identity as Canadians and confident about our capacity to compete. In the words of Andrew Coyne, "We must be great or perish". Now that's a rallying cry for all Canadians - not enough perhaps to get your mind off the GST, Meech Lake, or the cost of housing in Toronto. But I urge you to take a longer, bolder, prouder view of your own country.

Toronto is a vital part of our greatness today. And I hear that not from Torontonians but from every American who has come to Toronto in recent times. You have every reason to be enthusiastic Canadians. Just remember - what you are seeing in Eastern Europe today is the first expression of the freedom and hopes that we in Canada take for granted. Countries and peoples are clamouring for what we already enjoy.

As we approach the final decade of this century we really have no reason to be melancholy and no advantage in thinking small. Take a good look at what we have as Canadians. Put a premium on our strengths, your strengths. Take pride in what we are and what we do as Canadians. Draw strength from our proximity to the United States. It is, in a sense, one of our great national resources. Turn it to your advantage. Above all, appreciate the freedom, diversity and tolerance that mark us best as Canadians. Help to preserve these most precious qualities of our life. And let a few of those lobsters – undersized though they may be – climb up to the very top. Give them a little boost from below.

The appreciation of the meeting was expressed by Hershell Ezrin, Senior Vice President, Corporate and Public Affairs, The Molson Company Ltd. and a Director of The Empire Club of Canada.



December 6, 1989

# The Hon. Lincoln Alexander
Lieutenant Governor of Ontario

# SEASONS GREETINGS FROM THE LIEUTENANT GOVERNOR AND A PERFORMANCE BY THE TORONTO SYMPHONY YOUTH ORCHESTRA

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Chairman: **Sarah Band**
President

**Introduction:**

Honoured guests, Head Table guests, members of The Empire Club, Ladies and gentlemen - dear friends.

At this luncheon before Christmas I have the privilege of introducing one of this country's fine statesmen, and a good friend of The Empire Club. The Honourable Lincoln Alexander is always welcome at our table, and with you, I look forward to his message.

First, however, I want you to join me in a moment of Christmas reflection. It was Elwyn Brooks White, the American journalist who said: "To perceive Christmas through its wrappings becomes more difficult each year." I'm anxious that we share our own warm thoughts about the season at this family time together - this season of the most touching of family beginnings; this time of togetherness and warmth; this time of caring and thoughtfulness; this time of remembering to let our hearts speak. This time we call Christmas.

It truly is a fantasy time, of course - a time when the eyes of children everywhere remind us of the joy of discovery, adoration and old fashioned naive wonder. That we have the makers of music, the singers of songs and the tellers of tales with us today reminds me that we children aren't as young as we used to be. But these are the magicians who keep our feelings alive with the beauty of their music and the splendour of their art when Christmas isn't here. But now it is. So let us join our thoughts to those who share a kindness, see a vision, find a joy, or even accept a surprise. Because it is a time when the children can show us how. A time when warm family feelings can go beyond our doors, can mend a friendship, heal a hurt and bless a day.

Let us indeed, share Peace on Earth.

Now it is my pleasure to introduce an Honourary Vice President of The Empire Club, a lawyer, war veteran, parliamentarian and good friend; the Lieutenant Governor of Ontario, the Honourable Lincoln Alexander.

### Lieutenant Governor Lincoln M. Alexander

I'm delighted to have with us again one of the busiest women I've ever met in my life, the Honourable Pauline McGibbon. I said it yesterday and I'll say it again today - it's as a result of what she did in terms of making it more accessible, making it the Office of the people, that this Office is so loved today and I just want to publicly say that again. Thank you, Pauline.

I look at the young people sitting on that bandstand and that's where our future is - whether they know it, whether they like it or whether they want it. I want to thank you for the excellence that you've been pursuing for such a long time and may your every dream become a reality and may Santa Claus be good to you as well. You know, I stand here with some mixed feelings. This may or may not be my last Christmas luncheon. I didn't say it's going to be the last. I said it may or may not be the last, because, if you recall, I was sworn in on September 20th, 1985, and I'm thinking about those days in the past as we think about our families during this Christmas time, our friends, those who are less fortunate. I think about what happened, because this may be my last attendance to you. And I can remember the Prime Minister calling around September the 4th and he said, "Link..." (in those days, you could call me Link - now you have to call me Your Honour) and he said, "You know, Ontario's one of the biggest provinces - is the biggest province, and one of the richest", and I remember these words very, very distinctly. It's a funny way to offer a person a job, I thought. "I am now offering you the position of Lieutenant Governor of the Province of Ontario. Do you accept?" Well, what are you going to do, Harry? I said, "Thank you, sir, and I will certainly try my best." When the media approached me, and said "Well, how do you feel?" You know, that's the usual media question, "How do you feel?" I said I was excited, elated and nervous. Well, after four years and two months, I'm still excited, still elated but not nervous if I ever was. But let me say I have travelled a lot, I've seen a lot, I've been impressed a lot, and I've learned a lot. What a tremendous experience. That's why I'm still excited of late.

You know, I've been impressed with a lot of things, but let me just touch on two or three of them. I've been impressed with the power and the effectiveness of voluntarism. I've been impressed with the generosity of the patrons and the donors and the footsoldiers, and what I would like to say right now is that I see many of you in here. You support many causes, either yourself or by your money or your influence, your power or by your firm, or just by the little average individual volunteer. That has impressed me and I won't forget that. I've been impressed with small-town Ontario. If you want to know how they welcome Lieutenant Governors, go to small-town Ontario. They do it up right, not that you don't - don't misunderstand me. But everybody attends, as the Honourable Pauline knows - the Girl Guides, the Boy Scouts, the Legionnaires, the Army, the Navy, the Airforce, the Reeves, the Councillors, the senior citizens group - everyone is there and it dawns on you how important this position is and how important some people want it to be.

And what about the future? I have been to some 200 schools since I was sworn in on September 20th, 1985, and I'm always impressed with their energy and their enthusiasm and their excellence. They are deserving of your support. You know, I sometimes wonder why the Toronto Youth Symphony is not on the front page. I can't understand it. Something is wrong. You up there, as I said before, you are the future Governors

General. You're the future Prime Ministers, captains of industry, chief executive officers, lawyers, doctors - you name it. You are it. All you've got to do is work hard, have confidence in yourself, stay away from alcohol and drugs and you've got it made. But it's not going to be easy. It's going to be very, very difficult, I'm impressed with you and who you represent.

Another thing that really touches me is your respect for and loyalty to the Crown. We live and we're governed under a constitutional monarchy. Some people don't seem to understand what that means. By virtue of the constitution, it says, "there shall be Lieutenant Governors". When I go around this province and I see the warmth that's given to me, the wonderful receptions given to me, the acceptance that I receive, I am also very, very happy and I say, "Lincoln, how lucky can you get? What a lucky man you are!" Well, I'm only 67. So that makes me young - 68 in January - that makes me old. But I said, "How lucky you are." Thank you for that respect and thank you for that commitment to loyalty, because that's really what it's all about. I say to myself, "Never forget who you are. Never forget that you represent royalty. Never forget the Queen Mother whom I just met. Now there is someone whom I will never forget and I've met a lot of people. Queen Elizabeth II, Her Gracious Majesty. I shall never forget meeting her. I shall never forget the audience which I had with her. But the real joy came when I met the Queen Mother. I have never in my life met a woman of such exceptional talents, warmth, understanding, and friendliness. I love the way she works a room. I though I was the best, but no longer. I've never seen anything like it. She stops. You say, "Your Majesty", and she wants to extend her hand. I will never forget it. That's what I represent. No wonder I have to stand tall and be as dignified as possible.

But, at the same time, with all the wonderful things I've seen, I still know there are the homeless out there. There are the hopeless, hungry, if you can imagine it in this great province of ours, the abused. This is what Christmas is all about. I know that during the spirit of Christmas, you will not forget that. It's time. Let me say how singly honoured I am to stand here as Her Majesty's representative; to thank you firstly for giving me another opportunity of being with you on a Christmas afternoon; to wish you every best wish for the future. Enjoy yourselves and may God continue to watch over and bless each and every one of you. Thank you.

**Sarah Band:**

My pleasure is doubled today Your Honour, because I thank you, as well as welcome you on behalf of The Empire Club. Your Honour, your words are always welcome, and always timely. Again, thank you for joining us today. And please accept our good wishes for a very pleasant Christmas in your own family.

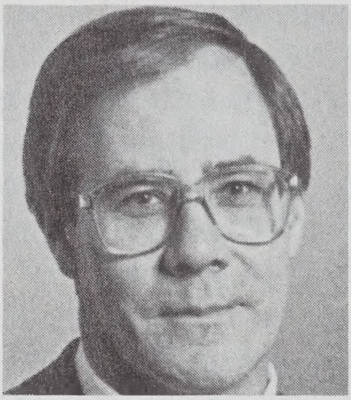
The Toronto Symphony Youth Orchestra is one of the truly good musical organizations in Canada. Because it is now 15 years old, some of us have become accustomed to seeing and hearing it. But we have never become used to it; or tired of it. The players, all under 22 years of age, are musicians of the first order. Committed, hard working and talented, they represent an outstanding musical heritage, and a wonderful dedication to good music.

Today they are under the direction of their conductor, David Zafer, himself an accomplished violinist, who has led the group since the fall of last year, but whose influence with them goes back some 10 years. They are seasoned travellers, with performances in Whitehorse and Inuvik. They have played for the President of France and Their Royal Highnesses the Duke and Duchess of York. Their biggest audience, however, was in Toronto's Skydome. They played a benefit concert for the Hospital For Sick Children, to a capacity audience. We welcome them as they play for us today.

Their program begins with the Symphonic Metamorphosis, by Paul Hindemith.

Then they will let us share their choice of Christmas Carols.

The Toronto Symphony Youth Orchestra gave a presentation and the appreciation of the meeting for their exceptional performance was expressed by John MacNaughton, President, Burns Fry Limited, President of The Empire Club Foundation and a Past President of The Empire Club of Canada.



January 11, 1990

## Neville Nankivell

Publisher and Editor in Chief
The Financial Post

# CHALLENGES WE HAVE MET AND CHALLENGES AHEAD

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Chairman: **Sarah Band**
President

**Introduction:**

Honoured guests, Head Table guests, members of The Empire Club. Please accept my best wishes for a very prosperous and happy new year, and help me welcome our first guest of the new decade, Neville Nankivell.

Talk of a new decade may bring a smile to Mr. Nankivell. His career with Financial Post began with him reporting our concern with the influence of the central bank on Canadian business. That was three decades ago.

Abraham Rotstein wrote in 1965 that, "Much will have to change in Canada if the country is to stay the same". Well, much has certainly changed. We are the same. Neville Nankivell's academic achievements include a degree in economics from the University of Western Australia and a post-graduate degree in Management Studies from the University of Toronto. His career with the Financial Post has paralleled that great paper's emergence as the leading financial publication in the country. He has been it's financial reporter, managing editor, editor, editor-in-chief and publisher. He spearheaded the design which changed the paper and won a gold medal in competition with 1,400 others. He now heads the Financial Post company which publishes, runs conferences, operates a radio network and a databank service.

Few in our country are better qualified to talk about our country, to tell us about the challenges we have met, and the challenges ahead. Ladies and gentlemen, Neville Nankivell.

**Neville J. Nankivell:**

As the new decade begins, many of us are still reeling from the astounding events that ended the 1980's. Certainly the world's political landscape has been changed almost beyond recognition - and at breathtaking speed. While perhaps not nearly as mesmerizing as what's happening in Europe, the political and economic life of our own country is also at a crucial turning point.

For example:

- The Meech Lake impasse could trigger the breakup of Canada. How do we avoid that?
- The Free Trade Agreement has hurled us into a cauldron of new competition. Are our industries up to it?
- The country's tax and debt burden keeps growing. How big a threat is this to our prospects for growth?

On the positive side, we have had an exceptionally long period of uninterrupted economic growth. We're in a slowdown right now, but that's to be expected at this point in the business cycle. Most forecasters (including The Financial Post's economics unit) think any recession will be short-lived and relatively mild. They are not predicting anything like what happened in the early 1980's.

As for the debt and deficit problem, the government claims it is making some headway. If so, things should get better in that critical area rather than worse. And as for national unity, we managed to cling together before Meech Lake - even if with a fair amount of fractiousness. So what's wrong with the status quo if Meech Lake doesn't pass?

Well, let's put these issues in perspective. For business, certainly the 80's were turbulent years. As the decade began, business was still being battered by the legacy of interventionist policies (FIRA, the NEP) and a truculent labour force. We had one of the worst strike records in the world.

Management deserved brickbats too. Swaddled by protectionism, many of our chief executives were still far too inward looking and had not yet gripped the reality of emerging global markets. Not surprisingly, Canada's competitiveness internationally had slumped to a dismal 11th among the industrial nations. (World Economic Forum surveys).

In 1980-81, a phenomenal run-up of interest rates ended with the economy's crash. It was a landing hard enough to give us a close call with depression. Many of our major companies, overloaded with debt, were forced into the most traumatic reorganizations since the 1930's. But out of the crucible, the survivors emerged leaner, more durable, more businesslike. Our politicians became less interventionist. Government, at last and wisely, started to move aside and introduce more market-oriented policies. Our companies sharpened their competitive position, and Canada's world competitiveness ranking started to climb again, to sixth in 1987 and to fourth last year, its best position ever.

The most significant shift in policy direction came with the historic Free Trade agreement with the United States. The debate over Free Trade was the real story behind the 1988 election. For the first time in our history, protectionism failed to carry the day. To me, the FTA's ratification was a decisive step forward in our economic maturity. It recognized the new economic order sweeping the world. It recognized the relentless integration of the world's markets, the world's economies. It also signalled a certain political maturity on the part of Canadians. And certainly it was a coming of age for corporate Canada whose support for the deal was widespread, among big firms and small. This was a clear indication of the growing sureness in the ability of our companies to compete effectively in the new global economy. Such widespread business support simply wouldn't have been possible a decade or so earlier.

True, the Free Trade agreement has been hotly, contentiously in the news again as assessments of the first year of its 10-year-phase-in take place. Its opponents are blaming it for the loss of thousands of jobs in Canada - perhaps as many as 70,000, they say, from plant shutdowns and layoffs. Some political leaders are still threatening to tear up the 1,500-page treaty if they are returned to power. (Which says more about the strength of their wrists, as John Crosbie has said, than their judgement!)

There's no doubt that a massive restructuring and rationalization of Canadian industry is under way. Indeed, it had started before the FTA was signed. Job losses in certain industries and locations have been part of the process. (The high value of the Canadian dollar has of course also been a factor).

But consider these facts:

- In the first year of the pact the economy did continue to grow, even if at a slower rate (the downturn had been long predicted, FTA or not).
- There was a sharp rise in investment in manufacturing, nearly 30 percent. It could be argued that much of the capital investment surge was related to gearing up for wider markets and that helped to delay a downturn occurring earlier. (It was business spending not consumer spending that had been keeping the upturn going).
- There *was* net new job creation in Canada in 1989, about 250,000 net new jobs. In Ontario alone, 87,000 net new jobs were created.
- Gross inflows of direct foreign investment into Canada have continued to run at exceptionally high levels over the past three years. Between 1980-85 they ranged around $3.8 to $4.8 billion. By 1987 this had jumped to $10.3 billion, in 1988 $8.3 billion, and for the first three quarters of 1989 had already surpassed that figure at $8.7 billion.

These inflows are the best barometer of outside confidence in our long-term prospects. And, clearly, a lot of this new industrial investment has been done with an eye on opening and securing wider access to U.S. markets from a base in Canada. An increasing proportion of it has been coming from Europe and Japan. This kind of money-on-the-line confidence in Canada is a striking change from the often negative attitude that outside investors had toward us in the early 1980's.

What about concerns that the FTA will spell the death of our health-care system, harm the environment, weaken our education system, destroy our culture? Well, it looks as if in some areas the Americans might just want to harmonize with us rather than the other way around. Some of their business and political leaders are now suggesting the U.S. should seriously consider Canadian-style medicare, for example.

In any case, it will be probably take at least five years to have a well-grounded assessment of the trade deal's economic impact. But I'm convinced that by the end of the decade, when the FTA is fully phased in, it won't be much of an issue at all. The forces driving global economic integration will see to that. Look at Europe '92 and at what's happening in the economies of Eastern Europe, in the U.S.S.R., and yes, even China.

The important point about the FTA is the positive effect that will come from the dynamics of the adjustment process, as painful as some of this may be for some companies, some industries, some regions over the next few years. Canadian manufacturing is still far less productive, on average, than its counterpart in the U.S. Real output per U.S. worker remains the highest in the world. The goal of our adjustment process is to eliminate the gap, to make us more efficient. And we have to be, given the already high degree of integration that exists between the U.S. and Canada. Restructuring will leave us better prepared to compete globally and at home. The FTA also sets up mechanisms to resolve trade disputes that already exist between our two countries. The process isn't perfect, but it is better than what we had and it should make the outcomes more predictable.

Certainly the sweep of restructuring is reaching into all major companies and transforming whole sectors of Canadian industry. New corporate alliances are being struck, often with foreign partners, for example, the superbrewery merger between Molsons and Elders/Carling. This will build the base for expanding markets in the U.S. as well as bringing about efficiencies in Canada. And there's our own alliance at The Financial Post with the Financial Times of London.

To me, our embracing of a more open and competitive Canada says we are willing and able to take on not just the Americans but the world. And that is the right path - the only path - to be on now.

The real risk to our economic prosperity is not in ending a century of economic isolationism. It is in letting our debt and deficit problem spin out of control This truly is the height of fiscal folly, and it is happening now.

It's easy enough to blame government for this. And I do. But as Canadians we have developed a gluttonous appetite for new and expanded government programs and an amazing acquiescence to the tax grabs governments impose to finance them. When faced with a choice, we seem far more inclined to accept higher taxes than to urge or support cuts or even a pause in government spending. Just look at the last federal budget. Tax hikes outstripped spending cuts by almost three to one. Those spending cuts were pretty modest, yet still aroused strong opposition. Or look at the provincial side. Ontario and Quebec are collecting record revenues and still raising taxes. The provinces have been reluctant to make spending cuts. Many have raised taxes to make up for the reduced subsidies from Ottawa.

Our business community has been hit hard - by Ottawa and the provinces. In the last federal budget business was hammered with more than a billion dollars of additional taxes. But do we fully realize that the average personal tax rate is now just over 50 per cent of cash income for the average Canadian family (Fraser Institute estimate). We're not talking about the bite on the really well-heeled. This is the tax take from average families.

Interest payments on the federal debt now account for almost 30 percent of federal spending versus 20 percent in 1984. In the past four years alone, interest payments on the debt have risen 50 percent. This year they will equal 35 percent of all budgetary revenues. That figure was less than 15 percent in the late 1970's. In just two to three years, short-sighted governments have given us the reputation of a high tax country again, reversing their earlier efforts in lowering taxes. This means we're in danger of wasting our hard-won post-recession gains. Meanwhile, our trade competitors have been reducing taxes on income, personal and corporate, to a substantially greater degree than Canada. No wonder some foreign investors are starting to become uneasy about us again.

Perhaps our complacency will be shaken as the impact of tax grabs by all levels of government begins to show up in our take-home pay. Or as plant expansion plans are cancelled. Or as an aging population faces dwindling resources for its retirement. What is clear is that our tax system is no longer up to carrying the load our governments are piling on it. And our much-needed tax reform program is now in a shambles.

Now, I have deliberately avoided lumping the Goods & Services Tax (the GST) into my criticisms of tax grabs. That's because I believe the GST is a long overdue, necessary part of fundamental reform of our patch-work-quilt system. We have to shift the tax bias toward consumption and away from savings. It's personal savings that ultimately fuel productive investments.

Sure, I'd prefer a GST rate even lower than 7 percent. It isn't, because the government won't apply it to a broader base and because it hasn't been determined enough in putting the brakes on spending. The government won't include food because it believes that would be a political minefield. But exempting food is dead wrong in principle, and Mike Wilson knows that. Still, the GST is a rational, sensible tax. Don't forget, it replaces, not adds to, the Manufacturers Sales Tax. The MST must be among the most irrational, scatterbrained, and just plain stupidest taxes in the world. It taxes investment. It favours imports over domestically produced goods. It penalizes exports. It distorts consumer choices. Good riddance.

The federal government *says* it's committed to reducing the deficit. And to be fair it has made some progress. The deficit has dropped as a percentage of GDP. But with the economy slowing and interest rates still high, we now learn the deficit might balloon again to the $35 billion level. If that happens, our worst fears come true. If rates stay at these levels the deficit will double in five or six years. We'll be caught on a treadmill of borrowing even more to pay the accumulating interest on a spiralling national debt. The cost of servicing the debt is stupendous, now $40 billion a year and the fastest growing segment of government spending. The interest bill takes more than 75 percent of all federal personal taxes! Government borrowing will crowd out private credit demands. The Bank of Canada will have even less room to manoeuvre than it does now. Interest rates will remain artificially high. And so will the Canadian dollar.

The problem with our debt and deficit dilemma is that what we seem to have is an unspoken national policy of guns *and* butter. However, you can't win a war without putting your economy on a war footing; without being prepared to make some real sacrifice. We won't win our war on the deficit unless we get serious about reducing government expenditures. Raising taxes to bring in additional revenues to cover the shortfall is not the answer. We'd have to raise them by another $5 billion just to keep the deficit from getting worse. But to do that at this point in the business cycle when the economy is clearly softening would be foolish. Hitting corporations with higher tax loads when their profits are weakening, hitting individuals whose real incomes aren't rising - that doesn't make economic sense to me. And to be known as a high-tax country again will scare off outside investors, and knock business confidence domestically. It's starting to happen. I hear it when I travel abroad. I hear it here at home.

There is no shortage of other places in the world in which to invest, in which to locate new factories, create new jobs, and make a decent return on your investment. With its many natural advantages, Canada should be a great place to do business. We could have so much going for us. But we are deluding ourselves if we think our natural advantages can overcome other business considerations, such as our competitive position on taxes. We have to create the right commercial environment, one that encourages and sustains decisions to invest for long-term growth. Government must wake up, call for a pause in proposals for new and expanded programs, and stop the drift to higher taxes.

Finally, Meech Lake. I wish I had the answer to that one. I'm unhappy with certain aspects of the Meech Lake Accord. But not passing the agreement may be worse than passing it. On balance, I don't think the potential problems outweigh the risk of another protracted, divisive, and potentially shattering crisis of unity only a decade after the last one almost tore us apart.

All our problems pale before that prospect. A parallel accord is one way, politically, to get Meech Lake through and get us out of the present bind. By that, I mean agreeing to do things in the second round that weren't done in the first round, or agreeing to clarify or correct some of the things done in the first round. In other words, agreeing now on the agenda for the second round. Anyway, it's now up to the political leaders who started it to figure out how to finish it. All of them, not just some of them.

Above all, we must stop increasingly careless talk in responsible circles that staying together doesn't really matter. Keeping Quebec within Confederation *does* matter. With the Free Trade Agreement and increasing economic integration, within North America and globally, it becomes even more important for Canada to stay whole. Don't the forces driving the single-market concept of Europe '92 tell us anything about the direction in which we should be going? Instead of draining ourselves dry in debate about the possibility of breaking up, we should concentrate our political energies on breaking down the myriad of still-stifling trade and investment barriers that exist within our own borders. That should be our top priority for the early 90's.

It's time to smarten up, Canada, and realize we need all the muscle we can muster. In short, we need each other.

The appreciation of the meeting was expressed by Harry Seymour, Managing Partner, Waterston Financial Inc. and a Past President of The Empire Club of Canada.

January 18, 1990

# Dr. Manfred Worner

Secretary General of NATO

## THE ATLANTIC ALLIANCE IN THE 1990'S

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Chairman: **Sarah Band**
President

**Introduction:**

Honoured guests, Head Table guests, members of The Empire Club.

Through the 40 years of its life, NATO has honoured The Empire Club with a visit from most of its Secretaries General and we are privileged today to host the seventh Secretary General.

For many of us the word NATO slides quickly off the tongue, more because of the sound perhaps, than our understanding of the North Atlantic Treaty Organization. Sixteen countries make up this Alliance, which Canadian foreign affairs analyst Escott Reid once called, "...the North Atlantic Community." He wrote then, "The future of this real commonwealth of nations is hard to forecast".

Events of recent weeks have given sharp focus to the concerns he had nearly 25 years ago.

NATO is best known for its defense forces in Western Europe. However, this is only one of its many dimensions. The others include arms negotiation, aid development and cooperation in science and environmental concerns.

Dr. Worner's topic is titled An Enduring Atlantic Alliance. What great words for this fraternity of trust. Our guest is a Reserve Lieutenant Colonel jet pilot with 1200 flying hours. He is a specialist in International Law, and a former Chairman of the Defense Committee of the Federal Republic of Germany. His Canadian association is long and friendly. Particularly, we thank him for his part in Germany's purchase of the Canadair Challenger, and his selection of a Canadian as NATO's Assistant Secretary General. Our welcome today is only a small measure of our thanks.

**Dr. Manfred Worner:**

The 1980's were such an extraordinary decade that I am certain all of you are wondering if the nineties will be able to sustain the pace. In particular, 1989 will be remembered as a key year in history. The collapse of ideological centralism in the East has opened new and hopeful vistas. We are caught up in a dynamic of history which is still a very long way from playing itself out. And it is the essence of such periods of transition that the daily speed of events somewhat clouds the broader picture. But we can at least be sure of one thing: the post-war period is at an end and the status quo is finished. Europe is now in search of a new form for itself. And the causes, if not the results, of fundamental change are clear:

First is the manifest failure of communism. It began as a messianic ideology but has finished as a system in almost total disarray. Communism has proved incapable of solving the problems of modern post-industrial societies. It has not responded to human aspirations.

Second, the Western emphasis on freedom, human rights, pluralism and democracy has proved a greater inspiration across the globe than collectivism. Emphasis on the state and on centralized planning does not work. The success of our Western model has made the peoples of Central and Eastern Europe less and less tolerant of their own system.

Third, the process of Western integration, and of creating European unity, is highly attractive and dynamic. It is exercising a magnetic power across Europe, forcing change and reform.

Fourth, and finally, it is evident that the cohesion and solidarity of the Atlantic Alliance has paid handsome dividends. Our defensive capability held Soviet expansionism in check throughout the dark decades of the cold war; while our offer of dialogue made it clear to the Soviet Union that there was an alternative: peaceful change and renewal in co-operation with us. It took a long time but we knew our resolve would eventually induce the Soviet system to mellow. Our Alliance success is almost total.

The eighties were not only the decade of democracy but also of the technological revolution in information and communications. This has sustained the values at the core of our Alliance - freedom, openness, creativity - and favoured movement toward open borders, human contact, interdependence and co-operation. In the sixties the Berlin Wall was built to protect a regime against the desires of its own people. Today, breached by the acceleration of history, it stands as a monument to futility and self-destruction. Walls and barriers cannot repress human aspirations; nor can freedom and democracy be half-applied.

The significance of 1989 is that the great struggle between collectivist ideology and the Western liberal tradition is practically decided. There can be no going back in Europe. It has been the dominant theme of the 20th century, and has consumed for a long time the energies and imaginations of the brightest and the best among us. But now we must prepare for the new world of the 21st century, and do what we can to help the transition to proceed smoothly. This is a time in which inevitably there are more questions than answers. Many of these are directed at the Atlantic Alliance and its future tasks.

- Has NATO reacted quickly enough to change? Does it view nostalgically the clearer battle lines of the Cold War?
- Is NATO losing its raison d'etre with the change in East-West relations? Is it now only a relic of the Cold War?
- Is the Atlantic Alliance an obstacle in the way of the political reshaping of Europe? Is it necessary to dissolve the two Alliances so that the division of Europe can be overcome?
- If the Alliance still has a useful role to play, then what role? What will it look like in the future?

First, the subject of NATO's reaction to change. For 40 years, preserving our security was an urgent task, but the Alliance tried on numerous occasions to move beyond the Cold War. From the beginning, we have been a political Alliance of values, seeking both to defend and advance them. For decades we have offered the East active cooperation in building a new European order.

We have had to wait a long time for an affirmative Eastern response. But our goal has always been to transcend the status quo. It served Soviet interest, not ours. The Alliance is seizing its historic opportunity. NATO's May 1989 Summit set out our approach to building a new undivided and safer Europe. Our aim is not to have détente within the existing order of things but to reshape East-West relations completely. Words have led to deeds: the Allies have moved decisively to help the reformers in Central and Eastern Europe - materially and morally. We have all stated our interest in Gorbachev's success.

Since the NATO Summit last May, the Allies, either on their own or working through other Western institutions, have elaborated a three-part programme to support reform and democratisation in Eastern Europe. Short-term help like food aid and debt relief to give reform a breathing space; mid-term help to encourage Western investment and the establishment of market economies; and a longer-term perspective of association with the West's major economic and political institutions to facilitate co-operation and independence. Reform will not fail because of a lack of Western responsiveness. At the same time, however, we must be clear-headed.

The task is enormous. Success or failure in the East is not for us to pre-ordain; the governments that emerge there must take the hard decisions to break with the past. We can prime the pump; we can use arms control to create a more stable international environment; we can give all kinds of technical assistance, but the proverb is correct in saying that "You can take the horse to water but you cannot make it drink". This is no excuse for inaction. Successful reform is in our interest, but hopes must not run ahead of objective realities. Economic conditions in Eastern Europe are extremely serious; we are in for a long period of political instability and even unrest; popular expectations are rising and the ability of Eastern governments to fulfil those expectations is not promising. The Soviet Union retains enormous military capabilities and will not for the foreseeable future be a democracy. The military imbalance in Europe is still there and it will take time to adjust it to a new political environment. Facts remain facts.

We are not in the business of rescuing communism or stabilising dictatorships. Our assistance is designed instead to enable communism to phase itself out peacefully, giving way to free, pluralistic, market-oriented societies. This can best happen if conditions both within Eastern Europe and internationally remain peaceful. We have assured Gorbachev that we will exercise political and strategic restraint. We will not exploit the difficult situation in the East for unilateral advantage. And, as I told Minister Shevardnadze in December, we will use every opportunity to promote our Alliance vision for Europe in the year 2000.

- An end to Europe's unnatural division based on freedom and self-determination for all its peoples, including the Germans.
- A new security system which is truly stable and peaceful.
- A new world order in which East and West would co-operate on the global challenges that will decide our common fate in the nineties: drugs, terrorism, hunger, the environment.
- A mature partnership of equals between North America and a United Europe.

So it is clear: NATO wants change. It is a political Alliance with political goals. We are shaping events towards our Alliance vision.

Then I would like to turn to the next question. Is the Alliance no longer necessary? Certainly NATO was set up in the late forties in response to a Soviet military threat; but the Alliance was designed to handle Western security needs in a more general sense. Today we can be pleased that Soviet expansionism is receding, but can we say that the West no longer needs an organisation to guarantee security and stability? Are there no risks bound up with a period of transition? The answer is clearly "no". The decline of the imminent threat does not mean that there are no dangers resulting from these turbulent times. Imagine for just one moment that NATO did not exist. Who would hold the free world together under such conditions? Who would keep the fate of the United States and Canada bound up with that of Europe? For can anyone imaging that Western Europeans can preserve stability in Europe without the continued involvement of North America? And who would co-ordinate Western policy towards the East so as to preserve stability while serving the cause of reform? Reform and stability are inseparable sides of the same coin. The answers to all my questions are obvious: NATO gives us unity and security. United we can shape history, divided we will fall victim to the history shaped by others.

So there are three pressing reasons why this Alliance will remain a fundamental instrument.

- the development of a new stable and peaceful order in Europe requires the active participation of the United States and Canada. This point cannot be over-emphasized.
- we cannot maximise our opportunities unless we minimise our risks. Control of historic change will be easier to the extent that we discuss our objectives and co-ordinate policies. NATO is the proven forum for this coordination.
- the Soviet Union will remain a strong military power. Power needs to be balanced and this cannot be done by Europeans alone. We must guard against setbacks and reversals. Moscow must never believe that it can solve its internal problems through the use of force. Diplomacy, economic exchanges and arms control can enhance our security; but at the end of the day only a secure defence and deterrence can guarantee our protection.

As a transatlantic community sharing a common destiny, as a platform for joint Western policy and as an instrument for the prevention of war, NATO will remain indispensable for as far ahead as I can see.

The third question is whether NATO is an obstacle to overcoming the division of Europe. The answer is an emphatic "no". No-one would suggest that this Alliance has been a brake on "Glasnost" and "Perestroika" so far. It is indeed hard to imagine that change in Central and Eastern Europe could have happened faster. Even Soviet leaders have begun to speak more positively of NATO. It is in their interest to have this stabilizing force around at a time of accelerating and unpredictable movement; for NATO makes us into a more reliable partner. The stability and political coherence which this Alliance provides are essential for the Soviet Union to tolerate, let alone instigate fundamental change. NATO has given all of Europe 45 years of peace - the longest period since Roman times - and we will continue to do so. But clearly this can be done in a cooperative context.

And what of the reunification of Germany? The Alliance supports a process in which the German people regain unity through free self-determination. This will be for the Germans themselves to decide, peacefully and democratically, respecting the relevant treaties and the principles of the Helsinki Final Act. This should take place in the context of European integration, and of this Alliance. And I think we should be clear that there is no fundamental conflict between the full participation of the Federal Republic in the Atlantic Alliance and the pursuit of this process of overcoming the division of Europe and of Germany.

What then will be the rules and tasks of the Alliance in the 1990's? NATO will have little prospect to succeed in one role - to be the motor and co-ordinator of change - if it suddenly drops the other - to be the guardian of stability and the source of security. Because war is less likely, we cannot afford to take its prevention less seriously. Its potential consequences are far too catastrophic for that; and we must keep up our guard as long as the USSR retains its military potential.

I foresee three main political tasks for NATO in the nineties.

First will be the establishment of a stable order of peace, built on freedom, human rights and self-determination, which gradually resolves the points of conflict that have long divided East and West. We can do this through negotiations and new agreements, and more durably by fostering in the East the creation of a democratic, liberal culture that will make the recourse to force - whether within or between nations - impossible. NATO, of course, is not alone in this task. The ongoing integration of the European Community is finally allowing Western Europe to assume a fuller share of Western responsibilities. The Conference on Security and Co-operation in Europe is another important element, based on our values and vision. NATO's Foreign Ministers, at their meeting in Brussels last December, agreed to give the CSCE a new impetus, and extend its activities into areas of crucial importance for Eastern Europe: industrial regeneration, technical co-operation, the environment. But at the same time, we also made clear that we expect the present Helsinki undertaking on human rights and contacts to be fully respected first. And we also agreed to seek recognition of the explicit right to free elections.

We are not trying to impose a Western model on the states of Central and Eastern Europe. But I believe that societies truly based on democratic values, including self-determination and respect between the governing and the governed, are the basis of lasting peace, as we have seen among ourselves in the West. The countries of the East must decide on their own route to democracy and association with their neighbours. Rather than attempt to settle on a fixed mould now for our future European architecture, I think that we shall be obliged to look for flexible forms of co-operation that can be adapted to changing circumstances.

Our second task will be to create a new European security system. The elements of this new system must be:

- a defensive military force;
- the minimum number of weapons to provide maximum deterrence;

- rules to promote openness, confidence-building and totally reliable verification;
- more co-operation.

We have committed ourselves to a CFE agreement on cutting conventional forces by the end of this year, and I believe this will be achieved. This will be the most ambitious arms control agreement in history. At a stroke, it will remove 60 percent of all Soviet forces from Eastern Europe and oblige both East and West to destroy 100,000 individual items of equipment. Half the tanks in Europe will be removed. A CFE Agreement will be the first essential element in a more stable system. The way is already open for the Warsaw Pact to be restructured so that it is more like NATO: purely defensive and respecting the national sovereignty of all its members. Recent Soviet pronouncements give us hope that they also foresee a Warsaw Pact which will no longer be an instrument of central control and ideology.

A key job for NATO will be to conduct this reduction of forces in an orderly fashion. The Allies must continue to share the roles, risks and responsibilities of that defence. I stress that this will require the continued involvement of Canadian and US forces, even though there is nothing sacrosanct about precise figures.

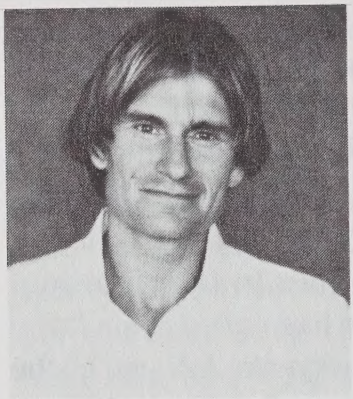
It is essential that the Soviet Union believe that Canada and the US remain firmly committed politically to Europe. To believe otherwise would be a recipe for instability. Both President Bush and Prime Minister Mulroney made abundantly clear at our NATO Summit last December that their great nations remain committed to NATO and to European security. This is clearly in the Soviet interest as well. And in this connection, I want to commend Canada for taking the initiative to host the Open-Skies Conference which opens in Ottawa next month. The combined efforts of the Canadian and American Governments to bring this concept to realization will make an important contribution to greater trust and openness in East-West relations.

The third task will be to meet global challenges with increased vigour. Problems of terrorism, drugs, and the environment cry out for coordinated action. The Alliance must serve more and more as a "clearing house" for Western co-operation beyond Europe and in the wider world.

Our values drive history. So we must nurture them through enhanced Alliance co-operation. The stronger the Alliance, the easier it will be for democratic values to take firm root throughout the world. President Bush has called for a "new Atlanticism". It is manifest that we must make full use of the one policy-making instrument that brings Europe and North America together with all their ingenuity and resources.

It is clear to anyone with a modicum of vision: the 21st century will be the age of the Atlantic civilisation and the Alliance will remain the primary tool to advance and defend the interests of the nations belonging to that civilisation in a fast-moving world. So are you not grateful, like me, that we do not have to invent it? Thank you.

The appreciation of the meeting was expressed by MGen. Reginald Lewis, President of the Interallied Confederation of Reserve Officers of NATO and a Past President of The Empire Club of Canada.



January 25, 1990

# Laurie Skreslet

Mountain Climber

# TO REACH THE HIGHEST MOUNTAINS

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Chairman: **Sarah Band**
President

**Introduction:**

Honoured guests, Head Table guests, members of The Empire Club, ladies and gentlemen.

Our speaker today is the first Canadian ever to reach the summit of Mount Everest. And if any doubt the magnitude of that climb, contemplate that it took five years to plan, $3 million dollars to finance and 27 tons of equipment to outfit. That and the challenge of a summit more than 29,000 feet above sea level. Is it any wonder that Everest is synonymous with the height of excellence?

Laurie Skreslet reached the top, blissfully ignorant of the words of Sir John A. MacDonald. He spoke of mountains in another way. He told a British Columbia audience, "Here, with the grand memorials of the great Creator surrounding me, I could spend the rest of my days content". But that's not the way Laurie Skreslet sees it. His background includes sailing on a four-master, working as a merchant mariner, training Outward Bound volunteers, travelling the world, and climbing its highest mountains. These experiences gave him the program he uses to teach *the drive to excellence* and the dedication to inspire it.

Teamwork, planning, organization and preparation made the assault on Everest successful. The same words, the same technology and the same teacher are teaching Canadian business leaders the way to reach their corporate "highest mountains". Today we won't go to the top of Everest. It took him three months. But we will see and hear how he makes the word mean excellence.

**Laurie Skreslet:**

It's going to be a challenge in the next 20 minutes to try to condense the feeling for Everest in 1982 and when we subsequently returned four years later to do it again from the Chinese side. I don't know if I'm going to be able to accomplish that in 20 minutes, but I'll try.

I think perhaps the best way to begin would be to admit to you that the only area I can claim any expertise in, in all honesty, is in my field of endeavour which is mountaineering. I've never considered myself to be the best in my profession at any time, no matter whether it was when I stood on the summit of Mount Everest, because the reality of that climb was that is was an exercise in teamwork from its conception in 1977 until October 5th when we placed the first three members of our team on the summit. I was lucky enough to be one of those three and then three days later, another three men made it to the summit - two Sherpas and another Canadian, Pat Morrow.

I know, having been involved in that trip and the one four years later, how much of an exercise in teamwork it is. It's one of the fallacies and it's one of the sad points for the uninitiated in terms of mountaineering that they tend to think because you make it to the pinnacle of a peak that you're the one who did it all. Nothing could be further from the truth in terms of how these trips work. I'd like to give you a few examples of what I mean in terms of how I think there are similarities between our two worlds - between the world of business where most of us are involved down here in the normal world, and the world of mountaineering. When we, as a group of mountaineers, try to tackle a difficult peak, be it perhaps one of the 14 peaks in the world that are over 18,000 metres in height, one of the first things we do, obviously, is try to get together the most talented, the most skilled, the most qualified people we can find for that particular task. That isn't normally the hardest part. The hardest part is trying to get these skilled people to coordinate, to cooperate, to focus their energies towards a common goal. And when we try these mountains, such as Mount Everest, it's interesting when you see them for the first time because the scale of mountains in the Himalayas where these peaks are located, the big ones, dwarfs anything that we can compare them to here in North America. Kanchenjunga for one, which is the third highest mountain in the world, has a base of over 22 kilometres. I mean, that's the bottom of the pyramid of that particular peak. And these mountains for the most part take more than a few days to climb.

For the peaks that I've climbed in the Himalayas and for the majority of climbers that I know and associate with, usually the trips that we go on involve a lot of preparation and a lot of time on the mountain. Everest, as one example, took us 56 days to climb in 1982 and four days to come off of it and it took us 72 days of climbing in 1986 to make it to the summit and eight days to clear the mountain. Now, that's because being so high - going to 29,000 feet - you have to allow time for your body to adjust. In 1982 we calculated we needed six camps on Everest so we could make an attempt for the summit and have a reasonable chance of getting there. Well, when you calculate all this equipment and the number of people you're going to involve it usually ends up taking about 60 to 70 days on a mountain. You have to take the time to put together your plan.

Our expedition in 1982 cost $3 million - it was very expensive. Most expeditions now are being put together for much less than that, but that was our first serious attempt to climb Mount Everest and I think the attitude was one of, "we're going to give it our absolute best shot". It took five years of preparation - that is, of soliciting the help and the support of over 160 Canadian companies - to get us there in 1982. It's worth noting too that over two-thirds of the funds generated were used for communication, to transmit live television pictures from the mountain back here to North

America. The actual last $1 million was used to climb the mountain.

Now, when I talk about going to do a mountain like Everest, if you know what the odds were you might wonder even more than now perhaps why people try to do that. When we went in 1982, there had been only 115 people in the 62 years of attempts on that mountain - it was first attempted in the early 20's - that had successfully reached the summit. A sadder side was the fact that 67 people died in those attempts. I tried to be realistic when I approached the mountain in '82 and I felt that if you're going to try to get to the top, you had better look at those who made it to the summit relative to those that didn't come back. That means that for every two that get to the top, facts have shown that one person doesn't return. That might make a normal person wonder, 'Well, why in the world would you want to get involved in an activity in which the odds are like that? The odds are worse that when you go to Vegas.'

I can't explain for the other members of our team why they went. I have my ideas, but it wouldn't be fair to give their explanation. I can tell you why I went though in 1982 and that was connected inherently and innately with my association with Outward Bound. Outward Bound is an organization I became aware of when I was a young boy - 14 years old. I read an article about it in a Reader's Digest magazine. It was entitled, 'You'll Never be Afraid to Try Again' and it was about a school run in North Carolina. Well, you go through a pretty rough four weeks in back country and they teach you how to rock climb and learn how to navigate in the wilderness, but what they really try to do is teach you how to try. I was so interested in it that I decided to save up my money - it took a year and a half to afford to take the course - and when it came time, I was 16. My father didn't want to let me go because he thought it was a waste of money. It was quite expensive. So, when I found I couldn't go, I wrote to Ottawa for my passport and once I got that, I left home and started working as a merchant seaman. I worked for a number of different ones - the American Merchant Marine, and the Norwegian.

I travelled for quite a few years looking for something that I never really found in my travels, although I went to some exciting places. I never really found the satisfaction I was looking for. It wasn't until I returned to Canada later and started working back home in Calgary that I remembered Outward Bound, and I decided to take a course there. I decided to take a course at the Colorado Outward Bound School. Outward Bound is an organization that was started during World War II to help teach merchant seamen how to survive at sea. They were finding a need for this because they saw that when these merchant vessels were taking supplies from Canada and the United States to Great Britain and were sunk, a higher percentage of the young men were dying in relation to the old while awaiting rescue. Common sense made people assume that is should've been the young and the virile and strong who survived and the older who died soonest. But that is not what was happening. When they investigated it more, they began to realize that these older men were lasting longer than the young because when the ship, the symbol of security to these young sailors, was taken away, the sense of self-confidence was broken, and their will to struggle to the bitter end was weakened. They tended to give up in their minds and it wasn't soon before their bodies followed. Now, the older men, who weren't necessarily tougher physically, had, through years of working on the ocean, developed tenacity and mental toughness to the hardships of life. It was that mental tenacity that allowed them to hang on, not to give in, and survive. So, they started this organization to teach men how to survive at sea. The motto of the school was "to serve, to strive and not to yield", basically to teach people the willingness to keep fighting without letting the thought of the bitter end so intimidate them that they gave up before it even arrived.

It proved so successful that when the war finished, there seemed an interest in this sort of confidence-building organization and the schools prospered after the war finished, spread throughout the Commonwealth, and now we have probably 50-60 Outward Bound schools throughout the world. The motto still remains the same - to serve, to strive and not to yield - and if that rings a bell, it could be from the recent popularity of the movie 'Dead Poets Society' where that quote is brought up again in the film. The quote comes from the poem by Tennyson called "Ulysses". It's about an ancient Greek mariner who is retired to an island with his wife. His children are working in the government. They're grown up and he is reminiscing about his life. And I guess he's coming head-to-head with accepting the fact that he's grown old and he's reflecting on the adventures he's been through in his life. It's interesting the way he sums it up at the end of the poem, because he says at the end, "Although we are not now of that strength which in old days moved earth and heaven, that which we are we are." He summed that up as being "one equal temper of heroic hearts made weak by time and fate, but strong in will to serve, to strive, to seek and not to yield." Outward Bound felt that was an ideal way of conveying what they were trying to teach and that was the motto still to this day in the Outward Bound schools. When I decided to take the course when I came back from my travels, I took a course in Colorado and there they use mountaineering as a tool to bring across these ideals. Having enjoyed my course, working for the school for a number of months in the States until my visa expired, it was upon my return to Canada that I discovered mountaineering.

Now, mountaineering for me has been the motivator, the initiator, that keeps me from falling asleep in life. I say that because I tend to find, now I've turned 40, myself getting into this waking sleep that I notice a lot of people do down here. I think we all need initiators or motivators to remind us again and again what we're capable of and to remind us of those ideals that we hold close to our hearts. The end of that poem was about this man trying to clarify what the ideals were that were close to him. I think at the end of the poem, he was trying to say that although our bodies show the ravages of time, the ideals by which we lead our lives do not have to become rusted and tarnished with misuse or lack of use; that if we continue to live our ideals clearly, they can be as shining, as bright as the day we discovered them. I believe that's what Outward Bound was trying to teach us. I should know because I've worked for them now for over 18 years. In mountaineering - and this is what led to Everest - I found the initiator that would support me for the rest of my life, at least to this day that I'm speaking to you.

I found in mountaineering an activity, a way of life, a lifestyle that was appropriate for my type of personality, because I tend to be lazy, but not incompetent. I found in mountaineering a hard taskmaster. I found in mountaineering a way of living in which it was easy to get into situations that invariably were going to be difficult to get out of and, once in those situations, once involved, if you failed, the result was either physical injury or death. For me, I need no better motivator than the threat of death or physical injury to make me try a little bit harder at doing what I did best, which was to express myself in a physical way. I learned more in mountaineering in these 20 years, I think, than I've ever learned in the years before and I expect to climb until I can't move any more. Climbing means a lot to me. Climbing is the instrument which has allowed me to see this cage that I carry still to a degree around with me, this cage made up of self-imposed limitations, and it also gives me a tool that allows me to break and in some cases bend and remove those bars of cage that I carry around with myself. I mention it, not assuming that you people are restrained by any imaginary cages made up of self-imposed limitations, but I'll tell you this - most people in this world are. That's the biggest lie that saddens me - the people fall for the lie, thinking they can't go beyond what they've done in the past, because more than anything, that's what Everest was about in 1982 and 1986. It was about ordinary people voluntarily putting themselves in situations in which they were willing to give more than they'd ever given in the past.

I think it has contemporary value even though it's eight years since we did Everest back in 1982. A lot of people have probably forgotten us, except those that were involved with us when we came back and I think they'll always remember the association with the members of our team or those of us that they got to know. But I think the message is still as real now as it was then, that we can all try harder than we do most of the time. For me, the people that drove it home more than anything else were Terry Fox and Rick Hansen. First, it was Terry Fox, who I first saw in an advertisement on TV running down the highway and then I saw Rick Hansen, and saw footage of people crying in cities when he'd go through. That was the realization that that man there, Rick Hansen, was trying for what he believed in. It made me ask myself the question, 'Am I trying as hard as I could for the things that I believe in?' To me, that's what Everest was about and the few slides I'm going to show you right now are what I hope might remind you in the days or the years ahead of a time in our history when a group of us went over to the other side of the world and stuck our necks out a bit. A lot of people think it wasn't worth it because four of our men died on that expedition. Half the team decided that it wasn't worth it and they returned to Canada. A small group of us stayed on the mountain until the climb was completed.

It's interesting to note, and I think credit should be given, that those people who walked off in the middle of the trip decided to go back again. I joined them and returned again in 1986 to attempt Everest from the north, from the Tibetan side, and although the climb took a lot longer and was much more difficult, the climb is notable because a young lady named Sharon Wood, at 29 years of age, became the first woman on this side of the world, North and South America, to ever climb Mount Everest, the sixth woman in the world to stand on its peak. That brought a lot of pride for me because I felt proud of the fact we were able to make history twice on two different Everest climbs.

We called our trip 'Everest Light'...and I might just add with a great deal of frustration tried to find a brewery that would support us. They thought the name was great, but nobody was willing to put their money where their interest was. So we went without getting the support of any beer companies. We funded our trip for $300,000 instead of $3 million in '86. We went with 11 people instead of 65. We took five tons of gear with us instead of 27 tons of gear which we took in 1982. We attempted a route that had never been successfully climbed before, from the Chinese side as opposed to the route we did in '82 which was a repeat of the original route on the mountain, and nobody got killed and nobody got injured on our climb in 1986. I'm very proud of that trip, not just because Sharon made it to the summit, but because I feel it was a good example of what many of us are trying to do and will be called upon to do in the years ahead down here, which is simply 'do more with less'.

The key to being able to do more with less is learning how to use our greatest resources more efficiently, predominately the people that make up our teams, whether they're a climbing team on a mountain or whether they're an organization down here and how to use the heart resources more efficiently. The bottom line of it all is learning how to do it right the first time. That seems to be the key - a message I hear all the time down here in the business community. Here, you have to drive it into people's minds. In the mountains, it's a lot simpler. If you use an excuse in the mountain, chances are, you're going to get killed because excuses carry absolutely no weight in the environment that I spent a lot of my time in. There, you learn how to do it right the first time because your life's on the line and it's interesting that with all the excuses in the world to call upon in a mountain environment - overworked, undernourished, sick, not resting at night, not enough people to do the job, more is happening than you thought was going to happen, plans change - with all the excuses in the world why you can't do it, I've noticed that people always find a way of doing it and doing it right the first time because their attitude is right. They're not going to waste their life on the mountain. I think that's something we can learn from climbers about attitude because in the years that

I've been climbing, what I've found to be far more important than physical fitness or being the best in your chosen profession, is having the right attitude towards what it is you're trying to do and, if anything, that's what I'm hoping I'll leave you with after showing you a few slides here.

What I'm going to show you here is what most likely you were expecting to see here this afternoon. That is Mount Everest taken from the southern side with a telephoto lens. That piece of rock and ice that you see there at 29,107 feet is the highest point on the surface of the earth. Regardless of any controversy you might have heard a number of years ago, it's all be reproven - it's still 600 feet higher than K2. So, Everest still remains the biggest of them all.

Now, just a few slides showing what did lead up to myself going on this climb. When I came back from my Outward Bound course in 1970 and first started getting involved in climbing, climbing Mount Everest was probably the furthest thing from my mind because, like an average Canadian, I tended to think something like that was only going to be in the realm of the other people - the Americans, the Europeans. I didn't think we as Canadians would ever go over there. So, when I came back from Colorado and started climbing in Canada, I didn't climb where you might assume - in the Rockies. I learned to climb on the boulders in the prairies of southern Alberta. If you're wondering what you can learn on boulders, you can learn all the basics of the sport on boulders, especially when you're not using a rope. Here, climbing 20 or 30 feet off the ground and making a mistake, it only takes one fall before you start to realize that maybe there is something to this business about thinking and planning your moves out ahead of time so you didn't work yourself into a cul-de-sac where there was no option except to suffer a bit of pain. On these boulders, I learned the simple early lessons of motivating myself. I noticed that the level of motivation in me always increased with the height I was above ground, so that when I was 30 feet above ground without a rope, I always tried a lot harder than I was when I was only five feet off the ground.

Now, these basic lessons, if learned well, we could apply to harder and harder climbs; taking those basic rock climbing lessons, adding on to the skills by using sophisticated climbing gear - climbing ropes, harnesses, heavier clothing - and tackling harder peaks like this one you see here in southern British Columbia in the Bugaboo range. And we also have to climb with packs now, because we spend the nights on these faces. They take more than a day to do. This one took three days to do and two nights. And if you wonder where you sleep, well the next picture was taken 300 feet from the summit where we spent the second night on a ledge. There you see my partner, who is sleeping on a ledge in the upper left-hand corner. Directly to his left, it drops off for 4,000 vertical feet back down to where the first photograph was taken three days before. When you wake up in a situation like this, you don't need a dictionary to understand the meaning of the word commitment. You find that if you have the imagination and the creativity to make yourself believe you could pull something like this off, then you begin to realize that with those qualities must go the commitment to see them through to their logical conclusion. Now, you learn other things, too. You learn how not to toss and turn much when you're sleeping on a ledge that drops off for 4,000 feet on the mountainside.

Now, there you see a picture taken in California, where 2,000 feet up a wall, we're pushing across a ceiling that bars our way up. What you don't see is the amount of time it took to train for this thing. There's a crack that splits the ceiling and we found that it we taped up our hands, we could jam our hands in the crack, pull our upper bodies into the ceiling and then, by pulling our feet up and sticking our feet in the crack, we could move our feet one at a time and our hands one at a time, and work our way to the outer lip, periodically letting go with one of our hands to reach behind our body and stick it in a bag that's hanging from our waist which has crushed gymnastic chalk in it, to sort of powder our hands up and then jam them back in the crack. For some reason, our hands tend to sweat a lot when we're hanging 2,000 feet off the ground upside down. Then, we worked to the outer lip and then flipped our legs around the outer edge to hook a flake that's two feet up around the lip. Then once one foot gets behind it, we let go with our hands and twist our body up to grab that flake and then try to muscle our way onto that flake and continue climbing a vertical wall around the other side. Now, of course, the reason I put this in is not to get you people interested in the sport, but it's to show you how we don't accept something as impossible, the first time we view it, We say "Okay. Where's the flaw? Where's the line of weakness and how can I best exploit that line of weakness?" That's how we approach things that many people think of as impossible in the mountains.

Now, this picture shows you Sharon Wood. She was 17 years of age. I first met Sharon when she was a student at Outward Bound when she was 15. This is Sharon climbing on a route west of Calgary in the spring-time. She's 300 feet off the ground there. She's frozen her left hand. She's trying to thaw her fingertips out. A couple of hours before I took the picture, it was bright and sunny out. Yet within that short period of time, conditions changed, turned dramatically against us and we were caught in a snowstorm. It's interesting that one of the first things you learn in mountaineering, if you're going to stay with the sport, is how to adapt to changing conditions. You learn how to choose clothing, choose climbing gear and learn climbing techniques that will allow you to be flexible enough to adjust when conditions turn against you and if you don't learn this lesson well - learning how to adapt - you don't go very far in the sport of mountaineering.

Now, this is a picture of the highest waterfall in western Canada. Now if you wonder if we climb waterfalls, the answer is yes, we do. But we don't do it in summertime. We wait until the middle of winter until they're a frozen ribbon of ice. We practice on these things because the ability to move up and down steep water ice is very important if you are going to tackle difficult mountains like Mount Everest in the future, because ice is one of the defenses these huge peaks have which prevent a lot of people from reaching their summit. In the early 1970's, we started practising on these waterfalls and we started finding that all the gear available was inadequate because nobody was trying to climb these type of climbs. So, we had to create the tools we needed to get up this peak, developing the ice axes, developing the protective devices that allowed us to attach ourselves to the waterfall. We'd hammer steel tubes in the ice to anchor ourselves to the waterfall. On our feet, we'd strap these devices that allow us to move on vertical ice, and we'd use ropes, of course. Usually, we'd climb with two ropes because sometimes you can accidentally hit your rope and cut your rope right in half and then you'd find yourself stranded on a waterfall without being connected to your partner. The way we'd protect ourselves is to tie in to the two lengths of 250 metre ropes and then wrap the rope around our waist to feed out to our partner who is climbing. As we move up, the idea is that if you fall, your partner will wrap the rope around their waist tighter and then you can't fall any further below them than you are above them. You place ice screws in the ice periodically as you go up to limit the distance you'll fall down.

Here, there's an ice screw 40 or 50 feet below me on the right hand side. Now, if I should fall, I'll fall 40 feet down until I'm level with the ice screw, 40 feet below it and then if the ice screw doesn't rip out and my partner does his or her job and locks the rope to their waist, there'll be about 10 feet of slack being taken up. In 10 feet of rope you should stop. That means though that's about a 100 foot fall. What I'm getting at here is when you're carrying 12 ice screws under your armpit and you've got 24 razor-sharp pieces of steel strapped to your boots and you've got two ice daggers in your hand, which are your ice axes, if you fall 100 feet, something's going to hurt. That's what I mean about the name of this game - you do it right the first time - you don't fall. All the motivation in the world is right there in front of you. You don't have to have somebody whispering in your ear as to why you shouldn't fall. It's obvious that if you do, you're going to get severely hurt. So, you learn how to do it right the first time. You learn how to get yourself organized.

You learn how to look at the line you're going to take. You learn how to assess yourself and the problem you're taking on accurately and honestly, because if you're dishonest with yourself, if you let pride push you into something you're not capable of doing, that's how people do get killed and that's how people do get hurt.

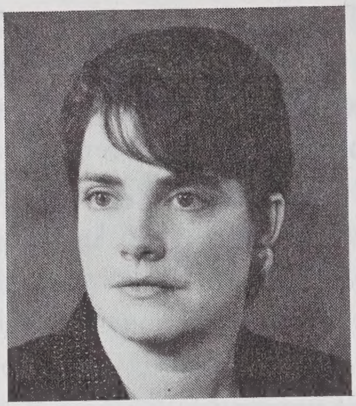
The last couple of slides are just a few shots to show you what you can achieve. Here's a waterfall that's 400 vertical feet, a pillar of ice that just goes straight up and the last 60 feet are actually overhanging. This is just about 50 miles out of Calgary, close to the Olympic site. This particular waterfall here is called Sorcerer. When we first attempted this, people told us - members of our established climbing community in Canada - that it was impossible because it was too long, the ice was too steep, it was too thin, it was a wet waterfall and many of our ropes would freeze in, there was no place to camp on it. All these critics were proved happily correct for the first two winters, because we tried three times and we didn't succeed. But we did get it on the fourth try and took 6 days and 6 nights to get up this thing. We slept in hammocks that we'd hang from ice screws we'd attached to the waterfall. Now, the unique thing, I think, isn't that we did it, but that eight years later two people did it from the bottom to the top in seven hours with improved equipment with improved climbing techniques. The point I'm trying to make here is I think it's important that all of us carry with us an image of something, be it a waterfall or something else that we know was accepted by the majority as impossible once, but which with time and effort and teamwork has shown to be not only possible, but, as in this case right here, relatively mundane. Actually, it's a special photograph because every time Sam Blyth uses this, he keeps saying, "Laurie, when are we going to go and climb this thing?"

These things that I'm showing you here, the bouldering, the rock climbing, the ice climbing, the Alpine climbing, were the things that led me up to Everest. It was 11 years of that sort of experience that put me in a position that I felt I was capable of asking if I could join the team. It's interesting to note that when I was accepted on the Everest expedition, it wasn't because I told them that I knew I could get to the summit, because I didn't and that was the fear I had when I went to speak to the expedition leader. I was afraid he'd ask me that and if I was going to be honest, I'd have to tell him that I didn't know if I had what it would take to get to the top. What's interesting is that isn't what he was concerned about. He wanted to know what I had to give his team, what I could give to his organization that would give someone - whether it was me or someone else - a better chance of making it to the summit and that, in essence, is what teamwork is all about. In the end, that's what our climb at Everest in both '82 and '86 was about. It was about teamwork.

I'd just like to finish up with one more comment. I know perhaps I'm disappointing some of you. I think many of you were hoping to see more slides perhaps of Everest. I guess what I'm trying to do is just entice some of you to hear the story one of these days. I enjoy talking to schools, especially kids. A lot of business people enjoy the story of what happened on Everest because they see the similarities. I think for me the best enjoyment is when I see kids understand for the first time that they can actually do anything or be anything they want to be if they're willing to go beyond these false beliefs many of us fall for, which is thinking we can only do what we've done in the past. When we learn that to be a fallacy, that we can go beyond what we've done in the past, I think that's how we can as adults change the world.

The point I want to finish on is that I think very few of us in our life are ever lucky enough to get a glimpse of what we are actually capable of doing and I think in a sense we're all climbers in a way. Perhaps my mountains are more of the mountains of deprivation, hardship, cold - maybe your mountains are mountains of planning, preparation, mountains of endeavour as it were, and if that's the case, I want to wish you good luck and good fortune on the mountains that you're going to be climbing in the years ahead. Today is a good day for me because today I get to take this suit off and I don't have to put it on for another 4-5 weeks. We're going to Argentina, to the highest mountain on this side of the world. After we come back, I've got three weeks here and then we go back to the Himalayas, to a different part of Nepal. So, I hope you wish us luck. Perhaps we'll send a card back to the Empire Club and tell them what we're up to over there. Thank you for listening to me. I hope you enjoyed the presentation and good luck in all the things that you're going to be up to.

The appreciation of the meeting was expressed by Sam Blyth, President, Blyth and Company and a Director of The Empire Club of Canada.



February 1, 1990

## Sheelagh Whittaker

President and CEO,
Canadian Satellite Communications Inc.

# CANADIAN TELEVISION, THE MEDIUM NEEDS A MASSAGE

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Chairman: **Sarah Band**
President

**Introduction:**

Honoured guests, Head Table guests, members of The Empire Club, ladies and gentlemen.

Our guest today says she is in the electronic distribution business. That's distribution as in Marconi. Not Bay/Bloor Radio. When Marconi rapped the key to send the first electronic signal to Europe, he stood on a windswept hill in Newfoundland with nothing on the far horizon except the lush green hills of Ireland, which he couldn't see. Sheelagh Whittaker's company gathers whole television programs, wars, insurrections and riots, complete with the terror that goes with them and sends them off to Inuvik, Heart's Content or Rimouski, while Sheelagh sits in her office and reads the critics' reviews.

Her company was licensed to provide the immediacy of television to the areas of Canada which are seen to be remote and underserved. The technology of taking a signal from a camera in someone's hand and sending it to the stars and back to 1800 cable companies serving two and half million Canadians - I find it mind-boggling.

Sheelagh's background is in business administration. She holds a Master's degree from York University, a Bachelor of Arts degree from the University of Toronto and a Bachelor's degree in Science from the University of Alberta. She has worked with the CBC, the Canadian Consulting Group and the governments of Canada and Quebec. She is a Trust Company director, a member of the President's Council of Mount Saint Vincent University; and has participated in Advisory Boards at York, Guelph, and Ryerson.

Her topic today is one which touches all of us. It comes from her intimate knowledge of the medium that British television critic Clive Barnes calls, "...the first truly democratic culture" and, in a lighter vein, Gore Vidal says is, "...now so desperately hungry for material that they're scraping the *top* of the barrel."

Ladies and gentlemen, I take great pleasure in welcoming the President and Chief Executive Officer of Cancom, the person who is the headline in one of the business success stories of the eighties: Sheelagh Whittaker.

**Sheelagh Whittaker:**

Madame Chair, members of the Club, honoured guests. I am particularly glad to be here at The Empire Club this afternoon because, unlike Bruce Springsteen, who tells us endlessly that he was born in the U.S.A., I was born in the British Empire. Shortly afterwards some big pieces were broken off the Empire, but, as my eldest son would say: "I admit I was there at the time, but I didn't even touch it." My British connections are important to me - grandparents who came to Canada from Lancashire and a godmother who was a governess at Rideau Hall and who now lives near Salisbury Cathedral. But by the time I was able to understand much of what was going on around me, the talk was no longer about the Empire, it was about Canada and being Canadian. And the things you hear in childhood shape your life, sometimes far more deeply than you can recognize for yourself.

A couple of my friends were talking recently and one said: "You know, Sheelagh always seems to work for companies whose names start with a "C". "No, it's more than that," said the other friend, "she only works at places that have Canada or Canadian in their title." And, as I thought about it, I realized that he was right - Canadian Satellite Communications, Canadian Broadcasting Corporation, The Canada Consulting Group, Consumer and Corporate Affairs Canada - two private sector firms, a Crown corporation and the federal government. Even the ventures I have helped name, like Cantel and CBC Newsworld, have unconsciously reflected my bias. My nationalism does have some limits. My children are called Meghan, Matthew and Daniel, not Canadian Child, nor Mapleleaf, nor even Via. Come to think of it - I haven't seen quite so much of Via lately. Anyway, I am a Canadian, which means, in the old joke where there are signs over the entrances to two conference rooms at a convention, one saying "free love" and the other saying "panel discussion on free love," that I would probably be going to the panel discussion.

Just before Christmas I took part in a television panel discussion - see what I mean? - on one of those topics that sounds so boring and takes so long to say that you are almost asleep before they finish announcing it. It was something like "What happened to broadcasting in the 80's and what will happen to it in the 90's." The subject is important, but as material for a television program its effect was to help me understand why my children watch reruns of "Cheers." Anyhow, in this panel discussion the most relevant, if not the most interesting, thing we said was that in the 90's the focus for Canadian broadcasters has to be on quality program content. We all know the brief history of Canadian television broadcasting. In the 50's there was a lot of live programming and just getting a decent signal out was quite an accomplishment. In the 60's we extended distribution, added another network and went colour. The 70's saw further extension of service across the country, rapid growth of cable and some more television stations. In the 80's the emphasis in Canadian television was on choice and specialization. While larger Canadian centres like Toronto have had many channels to choose from since the 70's, in the 80's the application of new technology brought a multi-channel environment to the entire country, extending even to remote areas like Heart's Delight, Newfoundland - and they were delighted. The cable industry, assisted by Cancom and satellite technology, brought that choice. At the same time, the broadcasters innovated and added channels specializing in sports, music, children's programming, news, religion, multi-cultural programming, movies.

We can now deliver more programming to more Canadian households than ever before. In fact, Cancom now serves Arctic villages with fewer than twenty-five homes. This distribution achievement by Canadians is a remarkable one but we can't just stop there. Simply delivering signals over vast distances to remote communities is a tremendous accomplishment, but what is on those signals matters, too. Here's what the noted broadcasting historian, Frank Peers, said back in 1985: "Whether broadcasting will help preserve Canada's cultural sovereignty is still unresolved; the question will grow in complexity as technology advances." Canada has built the biggest physical system in the world, but in large part has turned it over to the U.S. entertainment industry. Television is an extraordinarily powerful and pervasive medium. Few of us would deny that television images have had an enormous impact on recent history in the world. What television has shown did much to change American policy on Vietnam and, later, Soviet policy on Afghanistan. Television pictures have influenced world opinion on South Africa, have brought about a shift of world sympathy from the Israelis to the Palestinians, have shown us Tiananmen Square and its horrors, and perhaps even helped to ensure, through the presence of the world's cameras, that those horrors were not much worse.

Many of us feel that television even played a role in creating the expectations and yearnings in citizens of countries of the Warsaw Pact that ultimately led to the events of the last few months. And in the midst of such startling change, whether behind the crumbling Berlin Wall, in Panama, or earlier in the Philippines, the national television system always emerges as a key strategic element. Where there has been fighting and not peaceful change often the toughest battle has been for control of the nation's broadcasting facility. In Romania, for example, it was clear the people believed that control of national television was the key to a successful revolution. And it probably was. Where the change has been peaceful, the first thing that happens is that members of the new government use television to show who they are and that they are in control and to illustrate the changed nature of the society that will ensue, sometimes even to assert their nation's sovereignty and independence.

Here in Canada, at least as far as the most influential television entertainment is concerned, we didn't lose a bloody battle with our American friends and neighbours to the south that enabled them to force their programming onto our television system. Being the nice, obliging people that the world knows Canadians are, we actually went down to Hollywood and gave them money so that we could bring their programs back here and play them to ensure that all Canadians received a full supply of American cultural values whenever they watched entertainment programming on Canadian television. And when we thought that we were perhaps not paying quite enough, we agreed to give them copyright payments for cable, in addition.

The reliance of Canadian television on American entertainment programming is a long-standing tradition. And there is nothing dishonourable about it. It isn't just something that private broadcasters have done in the pursuit of profit. From the beginning of Canadian television, the CBC brought in many hours of American programming and still offers several hours a week. While Canadian broadcasters were trying to build studios, develop news operations, and build transmitters so their program services could simply reach an audience, the reliance on American programming, with its generally good standards of quality and attractiveness to the audience and advertisers, was completely understandable.

The trouble is that so little money and energy was left to spend on Canadian entertainment programming that audiences often found it to be disappointing in comparison with the America product that was so widely available to them. That is why Canadian audiences have tended to shy away from Canadian entertainment programming and why the two words, 'Canadian content', seem to inspire the exact opposite of confidence. Canadian entertainment programming, from an impoverished start, through series that were heavily promoted as if they would be good, but weren't, simply has a bad name. Editorial cartoonists often sum this kind of situation up very well. We have a cartoon at home which shows a Canadian hoser-husband, beer in hand, watching TV with his charming wife, who looks as if she hasn't taken her hair curlers out yet this month, and the husband is saying, "I'm totally supportive of the CBC's mandate to safeguard, enrich and strengthen the cultural, political and economic fabric of Canada...I just don't want to watch them do it."

That does seem to cover it. We have a substantial broadcasting system, a massive distribution system that is the envy of the world. Money and regulation certainly have been invested, but for the most part we still don't have a real, substantial body of Canadian entertainment programming that Canadians want to watch. There are exceptions. Degrassi High is a splendid program series for young people - but we should have three of four series like that at the same time, not just one. What you can say about Degrassi is what George Bush rightly said when he heard that Mikhail Gorbachev had withdrawn from Afghanistan, introduced a multi-party system in Russian, permitted a free press, allowed democratic elections in countries like Czechoslovakia, Hungary, Poland, and Romania, knocked down the Berlin Wall, and ended Soviet support for international communist revolution - it's a start. Degrassi High is also a useful sign that there is Canadian talent there, if we can just get our act together to exploit it properly. *Glory Enough For All*, the story of Banting and Best, won most of the awards at the last November's Geminis, but it was on and off again in just two Sunday evenings. The Colin Thatcher film, *Love and Hate*, did well with audiences and will probably win most of next years Geminis. *Small Sacrifices*, a North American ratings success, put Farah Fawcett's face in the Alberta landscape. But these are the exceptions. And they are few enough that those of us in the industry can name all of the Canadian successes of recent years without even having to stop and think. It's like another of my children who, when he's in trouble, tries to get out of it by recalling one time, many weeks ago, when he was good. We need to have so many attractive and really entertaining Canadian programs, so much good behaviour, that none of us can remember all the examples. And we are still a very long way from that point - on both counts.

Part of the problem, as I have indicated, is endemic. Our broadcasters, advertisers, and ultimately our viewers expect Canadian entertainment programs to be second rate. As a result, advertisers are reluctant to pay for time in these programs, broadcasters are reluctant to invest substantial resources in these programs, and viewers don't want even to take the risk of starting to watch them. Children raised in the knowledge that their parents don't expect much of them usually don't accomplish much. Television programs seem to react the same way.

In fact, with just a few exceptions, Canadian entertainment television has become the cod liver oil of television broadcasting. Because governments want us all to be well-balanced and sure of our identity, and have clear complexion, a large number of organizations and agencies responsible for change and improvement have been established and a number of measures introduced. The Department of Communications, the CRTC, CBC, National Film Board, Telefilm Canada, Section 19 of the Income Tax Act, the cable television tax, and several provincial organizations and agencies, all have a role in nurturing and supporting Canadian programming.

And all of those agencies and initiatives have, in fact, made some difference over time. The Department of Communications has directed funds to the CBC and NFB, and more recently created Telefilm to ensure the development of more Canadian programming, the CRTC has used Canadian content quotas and the licensing process to exact more programming from the system, the Film Board encourages the development of production skills and some programming, Telefilm funds independent productions sanctioned by broadcasters, Section 19 of the Income Tax Act keeps advertising revenues from migrating to U.S. border stations and the cable television tax collects funds from cable subscribers which indirectly benefit program production. Nevertheless, the position of Canadian entertainment programming is still tenuous and, as I say, the few successes fade from over-exposure at awards shows and from being repeated too often in official speeches.

What then are we to do? How do we break through? Well the desire is there, and most of the necessary money, even if it is held in too many different hands and not, at the moment, reserved for program purposes. So what we have to do is to look at the whole system, look at the players, assign roles, sharpen the focus, change our attitude, become assertive. We need to take a leaf out of Jack Valenti's book. His job is to protect the American production industry from encroachment on either its domestic or its foreign markets - including Canada. He does a terrific job, determinedly and single-mindedly, protecting the U.S. industry by being assertive, by telling other countries that their industry doesn't need protecting.

As you may know, Canadian Satellite Communications or Cancom, the company I run, distributes programming and data via satellite. We take the signals as we get them. We don't influence the content. But we do position ourselves as providers of a package of Canadian and American signals and we do have a stake, both as Canadians and as distributors, in the quality of Canadian programming that we deliver. And it is clear to us, not just to me personally, that in the 90's we finally have to achieve the Canadian breakthrough in television entertainment programming. It is clear, too, having made the investment necessary to set up stations and to build the biggest and most far-reaching and enviable distribution system in the world, that we are now, as a country, finally in a perfect position to achieve that goal.

For our part, to protect and develop our own entertainment production industry we have to take a holistic (a sixties word) approach to the problem - we have to look at what we have always called a broadcasting system and finally make it act like it is a real system - with each different part playing a clear role essential to the whole, not needlessly duplicating the role of others. We can no longer afford to be typically Canadian - to try to please everyone by having seven equal top priorities, to have programming which is as Canadian as possible under the circumstances. We have foundered before on half measures. Sometimes we have even foundered on quarter measures. Now we much focus our efforts to try again to find a way to build a substantial and ongoing body of Canadian TV programming that is genuinely entertaining.

To invigorate our TV entertainment programming, all of the players - including those of you who think of yourselves as just viewers - have to try to shake up our attitudes and expectations. We have to question conventional wisdom about the broadcast business, we have to question traditional approaches, we have to recognize that we need the courage to reduce our dependence on the broadcasting drug of cheap American programming and to rely more on Canadian programming judged against American standards of quality. Making good television programming is expensive. To put together enough money we will have to divert funds from other uses - such as the pursuit of technological advancement for its own or for foreign manufacturer's sake - and coordinate and simplify the roles of the various components of the broadcast system.

The Department of Communications needs to become more aggressive in its use of chosen instruments and in its management of the public airwaves. In particular, the DOC should act comprehensively on the fact that cable is the chosen instrument for local TV distribution in Canada and is, de facto, the distribution system to 80 or 90 percent of the households in some urban centres. The Department of Communications should require that we phase out the use of over-the-air broadcasting and the huge investment in transmitters by broadcasters. If we have a mature delivery system, why spend money on transmitters which could be spent on programming? Cable systems with 100 percent penetration of major markets could be used to provide other services, and the capital and operating money saved by broadcasters relieved of the costs of distribution could be used to produce more entertainment programming. It costs about $1 million to buy and install a big transmitter, and around $60,000 a year to run it. And transmitters like that now feed only 15 or 20 percent of the market they once serviced. That money could be better used to produce Canadian entertainment programs.

The technology attracting all the attention right now is high definition television. We need the DOC to show further leadership by coming up with what I call an "Emperor's New Clothes" position on HDTV. The DOC has to face the possibility that the benefits of HDTV may not be visible, and to insist on a technology that is perceptibly better, not just change for change's sake. If we should change our systems to HDTV, the DOC should direct the use of satellite and cable for its distribution to ease the transition to a new standard, thereby conserving our increasingly scarce public airwaves for other uses such as cellular telephone.

To date the CRTC has used schemes involving quotas, points and percentages of revenue to try to achieve Canadian content goals. Now is the time for the CRTC to simplify and clarify once and for all the goal and the means to achieve it. Specialized channels and special efforts have meant that news, sports, music videos, religion, children's and multicultural programming are available in increasing quantity and quality. Our information programming on television is a huge success. It should not be deprived of money, but we don't need the regulators to protect it as they did in the past. Nor do we need to encourage Canadian content fillers - quiz shows, game shows and repeats of them. The CRTC is free now to act boldly, to abandon all the old formulae, and put in place one simple, straightforward reward system designed solely to encourage Canadian comedy and drama programs. Those are the types of programs that we need if we want to safeguard Canadian ways, words and ideas, and we should single-mindedly concentrate on them. The CBC should concede what the American networks have long ago conceded, that entertainment programming is best produced by independent producers, that creative people work best in a flexible environment and under pressure to produce. The CBC should use its financial capability and TV expertise as a buyer and co-producer of independent entertainment programming, instead of wasting energy and resources on entertainment overhead.

Telefilm presently requires independent producers to have a commitment from a broadcaster before funding is provided. What about requiring from the broadcasters a minimum aggregate commitment to independent production of Canadian drama before allowing them to benefit from the public funds being made available to subsidize their Canadian programming? We should do that, should insist upon it. As for the broadcasters - CTV, Global, the independents, CBC, the specialty channels - in the coming struggle for distinctiveness, Canadian entertainment may well be what decides which of them succeeds. It will take a major investment, but the money can be diverted from other expenditures, and the sense of achievement and national pride with each success will be tremendous.

Canadians watch Canadian news because its quality is unquestioned and it speaks to them about themselves. If we are determined and cohesive enough, we can create a situation where Canadians choose to watch Canadian entertainment for the same reasons. It can be done. Someone just has to do it. If not us, who? And if not now, when?

Thank you.

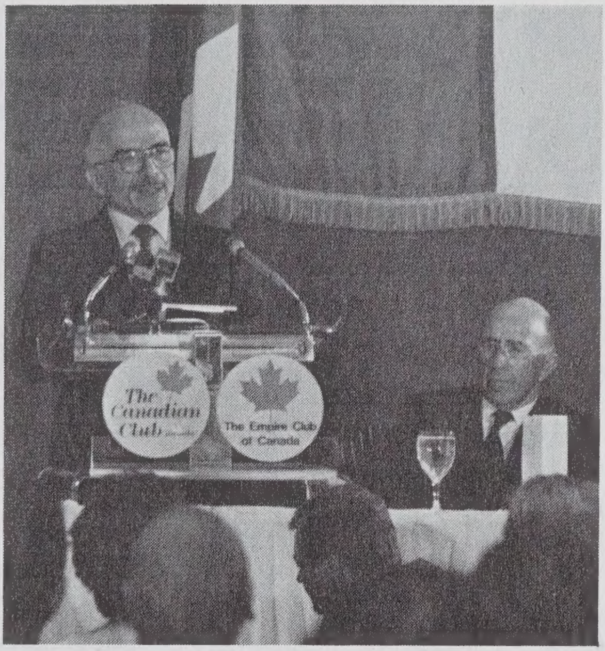
The appreciation of the meeting was expressed by Larry Stout, Bureau Chief, C.T.V. Television Network Ltd. and a Director of The Empire Club of Canada.

*''The proud father'' Harry Wilson, father of the Finance Minister, Joyce Kofman, President of the Canadian Club of Toronto and Finance Minister Michael Wilson*

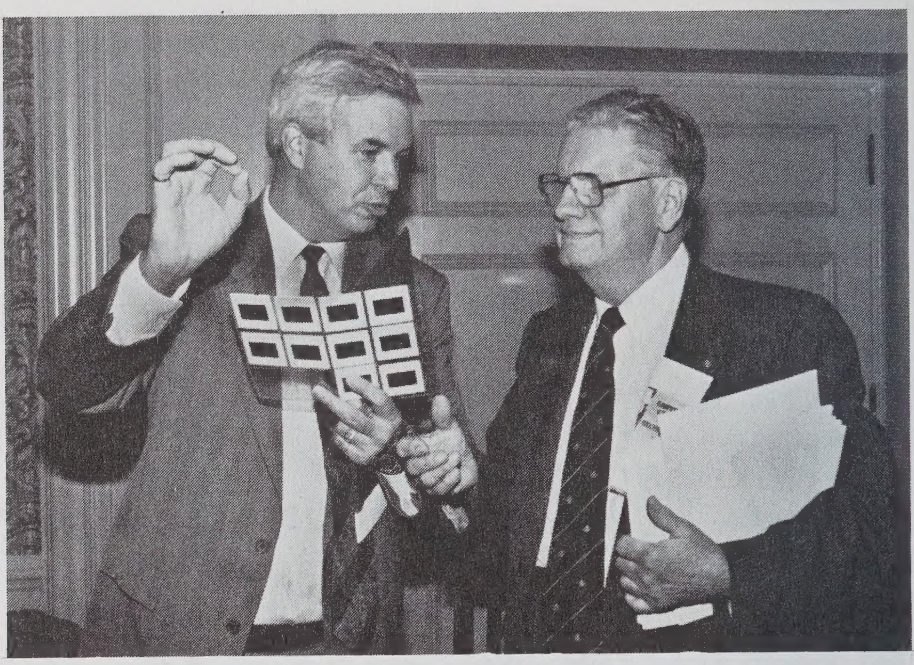
*"Smile" - Prince Edward Island's Premier Joseph Ghiz with Past President Nona Macdonald.*

*"Oh really" - Geraldine Kenney-Wallace with Frederic (Eric) Jackman, Club Director.*

*"A King speaks" - His Majesty King Hussein of Jordan and Sydney Hermant, Past President of the Empire Club*


The Canadian Club
The Empire Club of Canada

*"The Stars Meet" - (left to right) Larry Heisey, Chairman, Harlequin Enterprises, Jack Valenti, Garth Drabinsky, Cineplex Odeon Corporation, Club President, Sarah Band, and Bryon Nease, Vinconte de Chagny in "Phantom of the Opera"*



*"I need this slide first" - Pierre Lortie with Club Director Gordon Steele.*

*"An attentive listener" - Her Excellency Corazon Aquino with former Governor General, the Rt. Hon. Roland Michener.*

*"I think we can make a deal" - Rhys Eyton with Club Director Sam Blyth.*

*"The long walk with our leader" - Club Director Carlyle Dunbar leads in the Head Table party, President Sarah accompanied by Gavin Relly.*

*"Free Trade will work" - Derek Burney and Sarah Band listen to Reginald Stackhouse, Past President.*

*"Sharing a moment" - Lieutenant Governor Lincoln Alexander with Past President Harry Seymour.*

*Neville Nankivell considers his forecast.*

*"What more can he say" - Manfred Worner and Vice President Robert Watt.*

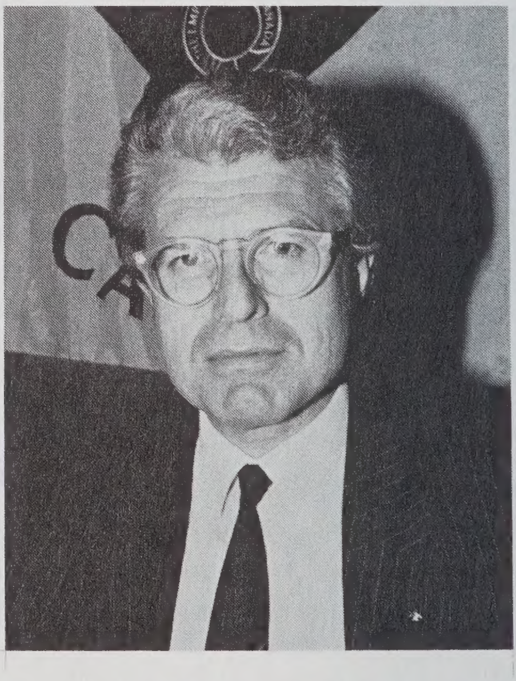
*''He finally arrived off the mountain'' - An exuberant Laurie Skreslet is greeted by Club Director Sam Blyth*

*''Women of the day'' - Sheelagh Whittaker, Marcia McClung and President Sarah.*

*"We are all listening" - Pierre Juneau with the listeners, Edmund Bovey and Club Directors Doug Todgham and Barnett Danson.*

*"The Club is in good hands" - Matthew Barrett with two Past Presidents, Roland Michener and Bruce Legge.*

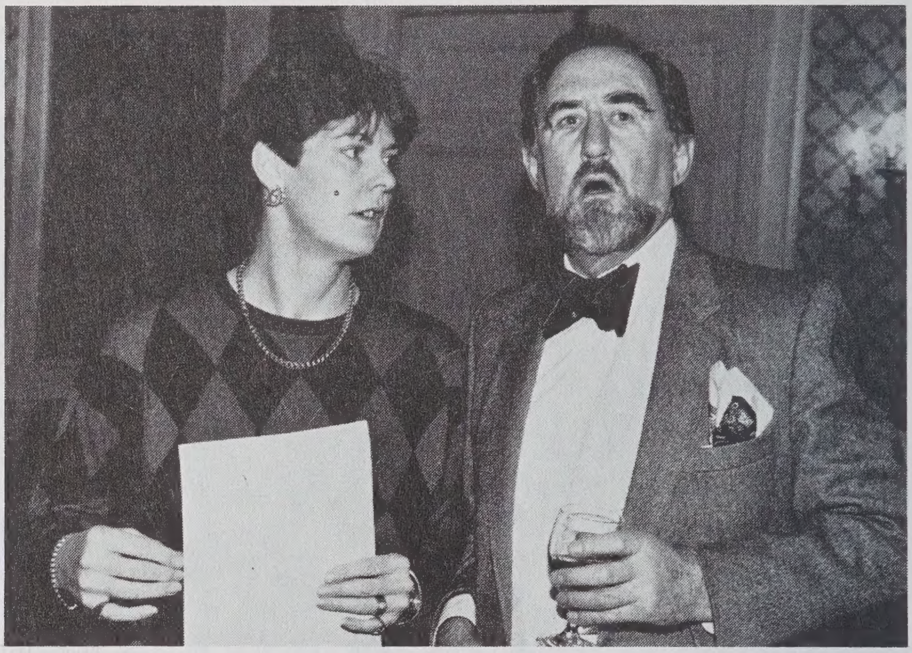
*''A day to remember'' - The Hon. Jean Chretien with Zoe's mother of seven days, President Sarah.*



*''An old friend'' - Past President Henry Stalder.*

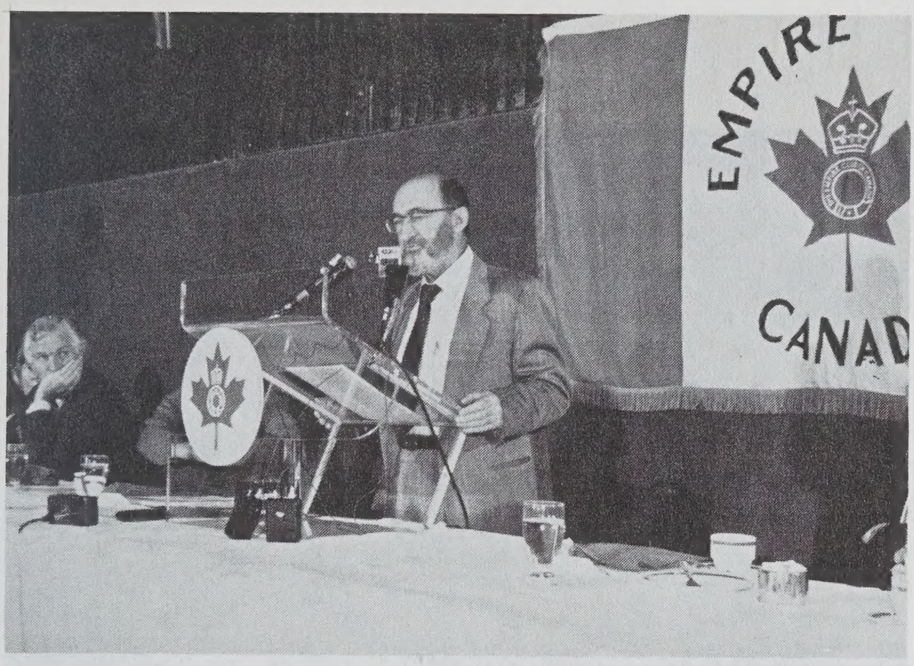
*"Will the speech work?" - Harry Arthurs with Sarah.*

*"Two speakers confer" - The Hon. Donald Macdonald and Ed Mirvish.*



*"Have you heard this limerick?" - Director Montague Larkin in full oratorical flight - the President is speechless!*

*"The World Series this year?" - The Blue Jays' Paul Beeston with Club Director, John Campion. Trevor Eyton, President of Brascan contemplating in the background.*


EMPIRE
CANAD

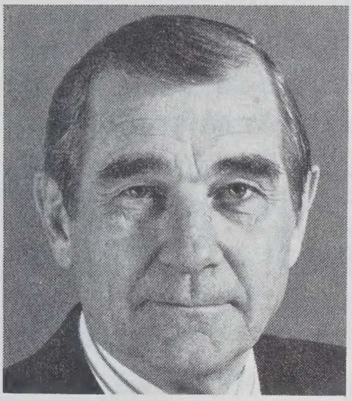
*"Few understand - ALL listen" - Dr. Henry Morgentaler.*

*"Two great minds" - Hon. Mary Collins with Laura Legge*

*"There's nothing to the job!" President Sarah Band with Immediate Past President, Tony van Straubenzee.*

*First Vice President John Bankes with the Rev. Dr. Robert Mumford of St. George's United Church.*

*"I'm honoured, Sir" - Governor General Raymond Hnatyshyn General Legge and John Band, father of the President.*



February 8, 1990

# Arthur Kroeger

Deputy Minister, Employment and Immigration

# IN PRAISE OF THE POLITICIAN

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Chairman: **Sarah Band**
President

**Introduction:**

Honoured Guests, Head Table guests, members of The Empire Club, ladies and gentlemen.

Our guest today is perhaps better qualified to talk about his subject than many speakers of recent memory. He is a career professional in government service. He was honoured last year with the Prime Minister's Public Service Outstanding Achievement Award, and with an Officer rank in the Order of Canada. He is now the Deputy Minister and Chairman of Employment and Immigration Canada.

He holds a Bachelor Degree from the University of Alberta, and a Master's degree from Oxford, earned on a Rhodes' Scholarship. His speech is titled, In Praise Of The Politician. These are the people of whom the late Adlai Stevenson said, "The politician is a statesman who approaches every question with an open mouth".

Arthur Kroeger has a different view. Certainly he enjoys a perspective few of us can share.

He has worked in Energy, Mines and Resources, Regional Industrial Expansion, as Special Adviser to Cabinet, Ministry of State for Economic and Regional Development, as well as Transport Canada and Indian and Northern Affairs. With a record like that, one might think he has trouble holding a job. Not so. This is the man called, "...the dean of Ottawa mandarins." Which makes Mr. Kroeger's topic all the more fascinating.

Remember the words of the seventeenth century society hostess who said, "No man is a hero to his butler"?. Mr. Kroeger has a career of first hand observation and has chosen to speak in *praise* of the politician.

Is there any wonder that we are ambivalent about our politicians when Churchill, Shaw and Shakespeare have tilted at them. But then only one among them had the first-hand knowledge you have, Mr. Kroeger.

I am looking forward to your words and wisdom about politicians, and will surrender the floor to you after I quote just one of them. British politician, Barbara Castle, said of Margaret Thatcher, "She is clearly the best man among them." Now Mr. Kroeger, let us share your insight into the Canadian brand of politician.

Ladies and gentlemen please join me in welcoming Arthur Kroeger.

**Arthur Kroeger:**

This is an unusual occasion in several ways. First, it is well established practice that, to the extent officials make public speeches at all, they stick to "safe" subjects such as a description of a program they are administering. Controversial matters are for Ministers. Officials are also supposed to keep their personal opinions to themselves, at least in public. In addition, there is a convention that Ministers must defend their officials in public, because we are constrained from speaking out on our own behalf. Today, this convention will be reversed. I propose to speak on a subject that Ministers would generally feel constrained from addressing. I shall also be expressing a number of personal opinions.

The title I have chosen is, "In Praise of Politicians".

Some may find this an odd choice for a senior official. The subject is, however, one I know a good deal about, since politicians are the people I have worked for over the past 31 years. More important, I chose this subject because public bitchiness - I believe that is the right term - about people in politics has gone well beyond any bounds of reasonableness in recent years, to the point where the good governance of the country stands to be affected. There you have my first expression of opinion.

Politicians are important people with important responsibilities. What they do every day is too well known and too little understood. There is inadequate public comprehension of the constraints within which our politicians must function and the complexities that are the common fare of public life. In addition, elected people in government and opposition alike are regularly maligned with regard to their lifestyles and remuneration. Often, sadly, public and private commentary alike conveys an impression that politicians are simply free-loaders on the public purse whose primary interest is ego gratification.

Presumably there is no need for me to reassure you that I am not naive. Over the years I have become as familiar as anyone with the weaknesses of various politicians, just as various of them have become familiar with mine. I know that they themselves often do things that make the public impatient with "politics". But I have also developed a respect for the seriousness of purpose that all but a handful consistently display; an admiration for their willingness to make sacrifices in their personal lives; and a certain wonderment that they put up with some of the things they do.

To give you a sense of the effects current attitudes are having, here are a few excerpts from the press of recent months:

- the former President of a provincial political party begins a newspaper article by observing that "Conflict of interest guidelines, the public exposure of private lives, the enormous pressures on family, friends, and business, and the generally low opinion people have of politicians combine to discourage all but a handful of our most successful citizens from thinking about running for office"
- a newspaper headline of last September: "Reluctant to run: Potential candidates fear price of public office"
- a provincial Premier observes that "not many people outside politics could take the endless personal criticism."
- a potential leadership candidate for a national party expresses hesitation about running: his children, he explains, are embarrassed that he's an MP because of the perception that politicians are overpaid and underworked, and spend their time 'yelling at each other' in the House of Commons.

I want to deal now with the "overpaid and underworked" issue. Most Deputy Ministers in Ottawa would probably agree that, to do our jobs adequately we usually need to work about 65-70 hours a week. In the eyes of Ministers, ours must seem an enviable lot. To be a Minister is to hold three full-time jobs simultaneously: you are a Member of Parliament, you are responsible for a department, and you are a member of a government. To do all three really well is reserved for the super-human.

One of the things we officials do not have to attend to is constituencies. Canada has a lot of geography, and our politicians have more cause to know this than most. Let me give you the example of a Minister I served who came from the prairies. It used to occur to me when I would go home with a full briefcase at 6:30 on a Friday night that my Minister at about the same time was on his way to the airport. Having gone through a gruelling week of Cabinet Committees, caucuses, the daily Question Period, departmental briefings, meetings with interest groups, and signing correspondence, he was about to begin a flight of three to four hours. Upon landing he would have a two-hour drive to his home. The next morning he would spend seeing constituents at his local office. Over the balance of the weekend there might be the official opening of a community building, someone's 60th anniversary party, a church basement speech. And then on Sunday nights there would be the drive back to the airport to catch an east-bound flight, ending up in a rather spartan apartment in Ottawa that he shared with several other MPs.

You may say that he really didn't have to live this way, that his constituents would have understood if he had come back to the riding only every two or three months. Maybe so. But since most of the MPs I've met lead lives that differ only in detail from the pattern I've just described, I suspect they may know something that we don't. The price paid by families is particularly high. Some MPs bring their families to Ottawa and see them when the pressures of work permit; others, especially those from rural areas, leave their families behind and see them between constituency activities on weekends. Neither arrangement is much fun. I did not research the divorce rate among MPs in preparing this speech, because I don't think I want to know.

Now a few words about money. An MP gets a salary of $62,000 - not a particularly exorbitant sum for a full- time job with very substantial responsibilities. After all, a carpenter in Ontario with four years experience reportedly can make $55,000. It is frequently pointed out, disapprovingly, that MPs also get various expense allowances, including one of $19,900 which is tax free. I've always thought this was reasonable enough, since they are in fact required to meet quite a few expenses, and I don't know of anyone else who pays income tax on the proceeds of his/her expense accounts either. It is possible that an MP has gotten rich in office during my years in Ottawa, but if so, the name escapes me. I do however recall reading recently a recollection by a retired politician that he signed a promissory note for $15,000 to finance his first campaign and was never out of debt again in the ensuing 29 years of his political career.

The risks that go with the job are substantial. The average tenure of a Canadian MP is five to seven years. The Canadian Parliament has one of the highest rates of turn-over in the Western world. In the last election, it reached 40 percent: 12 percent because of withdrawal from politics, and a sobering 28 percent because of electoral defeat. The figures for 1984 were even higher. How many of you would take up a line of work in which there was one chance in three or four that you'd be fired after four years - particularly if the decision depended not so much on your own performance as on what the public thought of your Chief Executive? In brief, I suggest to you that much of the sniping about the expenditures and life-styles of MPs may be an amusing parlour game, but is otherwise unjustified. Canadians get good value for their money from their politicians, particularly if the costs are calculated on a per-hour basis.

I think it might now be useful if I were to try to give you some sense of what it's like to work in a government environment, and the role that is played by MPs and Ministers, as well as by officials such as myself.

A newly-elected government typically comes to office with a set of aspirations which might include, say, improving the competitiveness of Canadian industry, increasing the supply of affordable housing, cleaning up the environment, and providing more assistance to Third World countries. Upon being sworn in, the government must also begin to wrestle with a number of realities. Some of these will be more or less permanent in nature, such as the constitutional division of responsibility with the provinces, regional grievances, and the linguistic duality of the country; while others will pertain to particular times, such as diminished cod stocks, an imminent transportation strike, and an adverse balance of international trade. Plus of course the fact that there's hardly any money.

The business of government is the continuous reconciliation of national aspirations with various intractable realities of the kind I've just described. For those within government, it is a process full of stress, frustration, and, on occasion, great satisfaction when a workable solution is found for some difficult problem. My perception is however that outside government the process is mostly viewed with a mixture of condescension and exasperation.

The public observes that politicians upon gaining office sometimes don't do what they promised they would, or even do the opposite. It finds evidence that governments are, if not irrational, then at least unpredictable, and that great wariness should be exercised in dealing with them. This state of mind was best expressed in a motto I once saw hanging on a wall in Washington, which warned that, "No one's life, liberty, or property are safe while the Legislature is in session." Now, we all know that governments from time to time do in fact behave in the ways that people complain of. What should not be done, however, is to assume that the curious happenings we periodically witness are simply due to a lack of competence, judgement, or good character on the part of our politicians. More commonly, the explanation lies in the quite limited range of choices open to those who must make the decisions.

For example, a party that campaigned on the need to assert Canadian sovereignty through a much stronger presence in the Arctic might well find upon coming to office that the costs were far in excess of what they had imagined, and that this particular commitment could be paid for only by repudiating a number of others - quite possibly including a commitment to reduce government expenditures.

When the performance of a government begins to fall short of its promise, there are often dark mutterings, particularly in the party caucus, to the effect that Ministers have fallen into the hands of the permanent bureaucrats, whose sole interest lies in preserving the status quo. The prospect of a group of faceless officials being so persuasive as to cause public figures to throw over everything they have stood for is, from the point of view of a faceless official such as myself, rather intriguing. It calls to mind the saying that all power tends to corrupt, and absolute power is even nicer. Alas, the reality is somewhat different. There is a difference between expressing an aspiration and making an informed choice between alternatives. And making choices is the inescapable responsibility of governments, even when all of the alternatives are unpleasant - which they usually are. Speeches full of generalizations won't do; decisions have to be made about what, exactly, shall be done to deal with a particular situation. Almost any course of action can be counted upon to cause trouble somewhere, but a government must face the reality that it cannot balance its books by expenditure cuts that will have no effect in any region, nor by imposing taxes that no one will have to pay. And a failure to arrive at a decision also amounts to a decision.

There is also little scope in government to apply the principle, "If at first you don't succeed, destroy the evidence that you tried." The decisions and operations of governments are subjected every day to the glare of publicity. Single-interest groups will attack whatever displeases them, and opposition parties will make the most of any government errors or blunders - which indeed is what they get paid to do. Decisions taken by other components of our society are not normally subjected to this type of treatment, and particularly not on national television every day. The private sector is private in more ways than one.

Then there is the matter of public expectations. A few years ago, in the village of Rockcliffe Park where I live, there was a contested election for seats on the village Council. No one today is quite sure how this situation came about. In any event, an all-candidates meeting took place, and was notable primarily for the fact that the contenders, each in turn, solemnly promised that if elected they would change nothing whatever, and would on the contrary leave our well- upholstered little community exactly as it was. Those who gave this undertaking most convincingly were rewarded with electoral success. Even at the time, it was evident to most observers that this was not a wholly representative example of the Canadian political process at work. What was most noticeably missing was the multiplicity of pressures and demands for action that are the hallmark of politics at federal and provincial levels.

In trying to respond to public expectations, governments cannot limit themselves to pursuing a well- defined goal commonly known in the private sector as "the bottom line"; they have no choice but to pursue multiple objectives, some of which can at times conflict with each other. For example, governments are expected to be frugal in general, but the various constituencies and interest groups that make up the country also expect governments to come through in the particular, whether this be for the purpose of constructing a badly needed public facility, relieving the effects of a drought, promoting official languages, or rescuing some failing enterprise.

Usually demands for government action are described by their proponents as simply a matter of doing the obvious, reasonable thing. It is however a good rule of thumb that, the more money a government has, the more "reasonable" its behaviour. Unfortunately, the converse is also true, which tends to give governments a bad name in times when cash is in short supply. Demands for inter-regional equity are often particularly difficult to cope with, the more so when they are mutually incompatible, as is quite often the case. During my time in the Department of Transport, the government of the day effected a 26 percent cut in Via Rail services. One of the more remarkable consequences of this decision was that the federal government was angrily accused by all five regions of discriminating against each of them - simultaneously. Those who have worked in the field of regional economic development have regularly had similar experiences. Canada is not as easy to govern as some would have you believe. In sum, it is essential that the public recognize the degree to which governments have to make trade-offs between different objectives. One person's intolerable bureaucratic burden is another's environmental protection. If you're going to provide reasonably good government for the entire country, you've got to do a lot of different things - sometimes more, let it be admitted, than the country's fiscal situation really allows. But when one is disposed to deplore "government profligacy", it is useful to paraphrase Pogo: "We have met the enemy, and they are not our politicians. They are us."

While much of what I have just been talking about has focused on government, which is the subject I know best, I also want to say a few words about Parliament as I have experienced it. Parliament is of course a partisan forum, and there is no particular need for me to explain to you its functions in holding governments accountable, important though these are. What I thought you might be interested in, however, is a few words about the ability of politicians to find a consensus. It's greater than you might think.

In 1983 I spent nearly five weeks before a Parliamentary Committee conducting a clause-by-clause review of the Western Grain Transportation Act, which did away with the legendary Crow's Nest Pass rates. During these hearings, a sort of pattern developed: most mornings the Committee session would open with a series of partisan exchanges, rather like an orchestra tuning up. At some point, however, the discussion of points of substance would begin, with officials providing explanations of various complicated subjects. In a fairly short time, someone entering the room for the first time would have found it difficult to discern who was a member of which party. Much of the discussion was a serious search by all concerned for the best alternative. My recollection is that during those hearings over 70 amendments were accepted by the government. They weren't major, but the bill that finally came out was better than the one the Committee had started with.

There was nothing unique about this; on the contrary, it's the sort of thing that happens all the time, usually without attracting much notice. A fundamental responsibility of parliamentarians - whether in committee, in caucus, or on the floor of the legislature - is to take measures prepared by officials under the direction of Ministers, and apply to them a scrutiny from the perspective of the public at large. In brief, people do more in Parliament than just yell at each other.

Finally, there are several things I want to say about the relationship between Ministers and officials. My basic point is quite simple: decisions really do rest with politicians. There is of course no shortage of presumed sophisticates who would wave this argument away and knowingly explain that the public service really runs everything. It isn't true. Even in situations where a department has a weak Minister, it is not the case that the decisions get taken by officials. Rather, what you mostly get in such a situation is bad decisions or, more commonly, no decisions at all. Without any question, the commonest complaint of officials is that our Ministers' schedules never allow us enough time to get through all the various urgent matters that are pending.

When people ask me what powers of final decision I have, I never quite know how to answer. This is because virtually everything that officials and departments do is of a contingent nature: the consolidation of two Canada Employment Centres is subject to the Minister not objecting; changes to regulations require the approval of the Governor-in-Council; most contracts of significant size have to go to Treasury Board; hiring and firing are within the purview of the Public Service Commission. In the area of policy and program design, officials spend many hours trying to work out what advice to offer our Ministers and the Cabinet. In doing so, we have the benefits of knowledge and experience, but when we are done, it is still the Ministers who decide what advice to accept, and what to reject. And do not assume that in such a situation the advice regularly predetermines the outcome. Some three years of presenting cases at meetings of the Treasury Board every Thursday afternoon left me in no doubt that Ministers have minds of their own.

The decision-making role of politicians is particularly clear when it comes to major, strategic choices. Should Canada put in place an income support programme for the working poor, or not? Is regional economic development worth pursuing on a large scale? What about official bilingualism, or Canada's future defence requirements? On major questions of this nature, which require judgements about the needs of the country, officials are largely on the side-lines. We can offer analysis and commentary, but such decisions are primarily driven by the philosophic orientation of elected representatives and the messages registered by the voters at the last election and after. My colleagues and I can design a set of national educational standards for you, but someone else has to decide first whether this is what the country should have.

Now a few concluding observations. Like most Deputy Ministers, I have at various times over past years attended meetings of Cabinet Committees. Often the business is humdrum, but I have also sat in the corner of the room and watched Ministers of whatever party was in office agonize over some major decisions. To the sceptics, I would simply say that I have been impressed by the high level at which many of the discussions have been conducted, and by the persistent focus on the issue of how, despite fiscal, political, and other constraints, the needs of the country can be met.

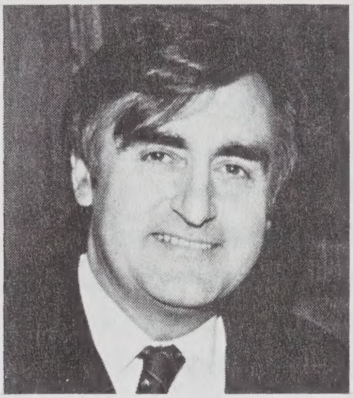
You may be surprised to hear that being a senior official does not tempt one to think that government by technocrats would be a great idea. On the contrary, the experience tends to reinforce one's democratic instincts - which is perhaps why I decided to make this speech. You soon develop a sense of your own limitations as you watch others try to discern the direction in which the public good lies. Government involves a lot of trade-offs, and there is no substitute for leaving such decisions to the judgement of people who have to get elected every few years. The public may have reservations about its politicians, but officials are not magicians either, and we know it. So it really does matter that competent people should hold elective office.

An official is someone who has voluntarily accepted certain limitations on his/her freedom of action, in return for an opportunity to play a role in government without having to enter the political arena. Personally, I regard that as a fair exchange. In every part of the country, there are individuals and groups seeking by one means or another to participate in the decisions and operations of government. I get to do that every day, and I am paid for it. The hours are a bit long, but at least my private life is reasonably private, and I am for the most part spared public abuse.

For elected people, both the rewards and the penalties of life in the domain of public policy are greater: the rewards, because elected people actually get to make decisions, and not just to offer advice about them. They can help set the strategic course of government, rather than just advising on how something might be done. But the penalties are also substantial, and they appear to be increasing. These penalties include financial worries and severe disruptions to one's personal life; there are also the frustrating constraints inherent in the governing of a rather complicated country. Worst of all, however, is the pervasive public attitude that a decision to seek elective office bespeaks a flawed character as well as a serious lack of judgement.

Our politicians deserve better from us than this. Collectively, they are serious, hard-working people who, unlike most of us, have been prepared to accept very serious costs to their own and their families' life-style for the sake of furthering the public interest as they see it. The public has a reciprocal obligation to show a measure of comprehension for the difficulty and complexity of the issues with which elected people must regularly deal. These issues touch us all, and if the penalties of public life ever become so great that first-rate people shun electoral politics, we will all be the worse for it.

The appreciation of the meeting was expressed by John Campion, Partner, Fasken Campbell Godfrey and a Director of The Empire Club Of Canada.



February 15, 1990

# The Hon. Lucien Bouchard

Minister of the Environment

# THE MEECH LAKE ACCORD

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Chairman: **Sarah Band**
President

**Introduction:**

Honoured Guests, Head Table guests, Empire Club members, ladies and gentlemen.

When Arthur Kroeger spoke to the Empire Club "In Praise of Politicians", he used a phrase to describe them, which I will now use to describe the Meech Lake Accord. He said, "Politicians are far too *well known,* and far too little *understood."* I say Meech Lake is far too well known and far too little understood.

Close to 25 years ago the then Prime Minister went on a round of visits to the provincial capitals with a view to, "...proposing constitutional amendments". The Honourable Flora MacDonald called the visits, "...this rush of activity ." She should see us now. We have a Quebec delegation visiting Newfoundland, a Senator going to New Brunswick, the Ontario Premier in Quebec and the Prime Minister in Manitoba. And amendment proposals from Victoria to St.John's." A "rush of activity" indeed.

And to what end? To ratify an accord hammered out at Meech Lake? Or something more. Perhaps to find "..a package of constitutional and political changes ..... a Canadian version of the Holy Grail." as Flora MacDonald described it. In this communication age, when we seem always to feel the need to tell all about everything, to everyone, we may need the wisdom of the nineteenth century, when Constitutions, as Napoleon said, should be, "Short - and obscure."

Now let me introduce you to Lucien Bouchard. He is a member of Cabinet as Minister of the Environment. He is a member of four Cabinet committees, and Chairman of the Environmental Committee. He entered public service as Canada's Ambassador to France in 1985 and entered the Cabinet as Secretary of State two years ago. He is a lawyer who holds three degrees from Laval University.

I began this introduction by quoting the Deputy Minister of a federal department. I turn now to our Minister of the Environment to clear away some of the unclear air which surrounds Meech Lake.

Ladies and gentlemen please join me in welcoming The Honourable Lucien Bouchard.

**Lucien Bouchard:**

Madame Chairman, chers amis Torontois:

I want to thank you for your generous introduction and for your warm welcome to Toronto. Matters of national interest have been debated here since the turn of the century. With Canada's tendency to regularly stir up fundamental questions, the Empire Club, needless to say, was seldom idle. One such debate that comes to mind is the one that preceded the adoption of the Maple Leaf flag 25 years ago today. At the time, it set the entire country ablaze. The final stages of the parliamentary debate alone took a full month in the House of Commons, filled nearly 1000 pages of Hansard , saw some 150 MPS speak, and required closure to come to a head.

Today we wonder why there was such a debate. When you leave this lunch, if you're walking up Bay Street, or driving up University Avenue, you will see the Maple Leaf flying from nearly every office building in Toronto. You will not even think about it; for all Canadians, it is simply a given. I recall that stormy episode because, in some respects, it bears close resemblance to the debate on the Meech Lake Accord. Like the flag debate, it raises questions about Canada's identity. As it did in 1965, the controversy has forced us to consciously accept our differences. But, above all, in both cases, we have too often failed to stand back and ponder where it was taking us. What has been missing from this debate is perhaps a bit of logic, and certainly a lot of common sense. The Meech Lake

Accord has been much misrepresented and much misunderstood. Perhaps it needs to be placed in context to be well understood.

To understand what is happening now, one has to go back to the 1982 patriation, and to remember that, while joy and pride swept English Canada, Quebecers felt humiliation and bereavement, the day the new Constitution was signed on the lawn of Parliament. We felt that it was not our Constitution being signed, that we had said "no" to this arrangement concluded without us, and therefore against us. We felt that, even though that document was legally valid because it had been approved by Parliament and confirmed by the Supreme Court, it was not politically valid. A constitution is the expression of a nation's fundamental values, values that unite and fire all the vital forces of a country. The 1982 Constitution, which was imposed on Quebec, is not such a document.

This was an event of paramount importance for the understanding of what was to come. Through the trials and tribulations of 115 years of life together, Quebecers had never felt the Confederation Pact, the cornerstone of our country and the sum of the two founding peoples' commitments to one another, could be in danger. They had just shown their own attachment to Confederation by voting "no" to the question asked in the referendum. Even at their most distrustful, Quebecers had never imagined the 1867 agreement could be altered without their consent. Hence, their painful impression of a breach of trust, of an attack on the integrity of the national bond. The descendants of Sir Georges-Étienne Cartier did not expect that from the descendants of Sir John A. Macdonald. Perceived as deceit by Quebec, the patriation of 1982 introduced some kind of time bomb in the political dynamics of this country.

In 1983, the Conservative Party elected a new leader in the person of Brian Mulroney. The reason why Quebecers voted for him is that he made them a fundamental promise. In Sept-Iles, on August 6, 1984, Brian Mulroney pledged to renew the bond of the two peoples of Canada with honour and dignity.

He assembled a national reconciliation government. He attracted to it men and women from all parts of Canada: the Prairies, the Atlantic region, Ontario and Quebec. Their mandate and their goals were clear: to mend the wounds, to reopen the dialogue, to bridge differences. Obviously, the priority was to bring Quebec back to the fold. Mr. Robert Bourassa then made the five conditions of Quebec's return to the constitutional family part of his election platform so that he could be considered to have been given a direct mandate to reopen talks with Ottawa on that basis. It is in this context that talks began in the fall of 1986 and went on through the winter. On April 30, 1987, in one of those rare moments of grace in the life of a nation, the heads of the 11 governments agreed in principle to what has become known as the Meech Lake Accord. A month later, convened once again in Ottawa, the first ministers signed the final text of the Accord at the end of a marathon session. The Meech Lake Accord, therefore, is far from having been improvised, as its opponents have claimed. It is the sum of nearly three years of hard-nosed negotiations between men of good will. Does it buy peace by giving in to all of Quebec's demands and favouring Quebec at the expense of other provinces? Time does not allow an exhaustive analysis of every clause of the agreement. But I would like to address the worst criticisms directed at the Accord.

On matters contained in Section 42 of the Act of 1982, such as the mode of selection of senators and the creation of new provinces, the Meech Lake Accord favours unanimity, rather than the majority rule - often referred to as the 7/50 rule. Thus, what might have been Quebec's exclusive right of veto is extended to all the provinces. Premier Clyde Wells, of Newfoundland, fears the unanimity rule will make it difficult, if not impossible, to reform the Senate. I find that quite puzzling, since his own Senate reform proposal would require unanimity to be implemented.

An argument commonly used by opponents of the Meech Lake Accord is that it will lead to a decentralization that will seriously cripple the federal government. But this does not hold up, since the federal-provincial division of powers is in no way altered by the Accord. True, the argument is generally invoked by people who dream of a unitary state, contrary to our historic, geographic and sociological reality. Those who call for an elected and equal Senate competing with the House of Commons, on the other hand, can hardly cry about the weakening of the central government.

But the Meech clause that is the most fiercely criticized is the one that deals with Quebec's "distinct society". To be sure, nobody really disputes the fact that Quebec forms a distinct society within Canada. What is objected to is that it be the only province so described in the Constitution. There is a fear also that it may lead the courts to attribute special powers to Quebec to fortify what differentiates it from the rest of Canada. Oddly enough, what makes Quebec a unique, distinct society in the existing Constitution is not primarily its French language and culture. What makes it different and unique - and was already formally recognized more than two centuries ago by the British colonial ruler - is its civil law tradition. The distinct character of Quebec has been the cornerstone of our political traditions and constitutional law since the Quebec Act of 1774. The British North America Act of 1867 contained a number of special provisions dealing with Quebec. In Section 93, it recognized the religious character of Quebec schools. No other province has such constitutional dispositions. In Section 133, it recognizes French and English as the languages of the courts and the legislature.

In addition to enshrining Quebec's unquestionably distinct character at Meech Lake, the 11 first ministers recognized this and the linguistic duality of Canada as essential attributes of our national identity. By asserting both characteristics, albeit in an interpretive clause, they elevated them from mere sociological realities to fundamental values of our society., The Meech Lake Accord thus helps complete the description of the Canadian personality begun in the Constitution Act of 1982 which recognized basic individual rights, native rights, the multicultural make-up of the Canadian society, and the importance of reducing regional disparities.

Interpretive clauses cannot be equated with new powers or a new division of powers. The Meech Lake Accord even specifies that neither clause in any way modifies the powers of the two levels of government. But they add new meaning to the Canadian reality and affirm Quebec's place within it. Because the Meech Lake Accord recognizes the fact that Quebec forms a distinct society within Canada, it is claimed that it threatens the rights of Quebec anglophones. Nothing can be further from the truth! The distinct society provision is linked with the one that asserts Canada's linguistic duality and clearly refers to Quebec's English-speaking minority, as well as French-speaking minorities in other provinces. Meech assigns to Quebec a duty to protect its linguistic duality while promoting its distinct character.

Some opponents of Meech have also attacked the extension of the opting-out provisions. Section 40, it should be recalled, allowed provinces to opt out of a constitutional amendment transferring provincial powers to the federal government in educational or cultural matters, and receive full financial compensation. This provision, claim opponents of the Meech Lake Accord, may weaken the federal government, even prevent it from playing its "national" role when the welfare of Canadians requires its intervention.

What should be the limits of the federal government's intervention then? Are the opponents of the Meech Lake Accord, without saying it in so many words, attempting to change the division of powers between the federal government and the provinces, or even transfer to the central government responsibilities that are now strictly provincial?

The signatories of the Meech Lake Accord did not embark on this course because they had agreed to restrict themselves to what was needed to bring Quebec back to the fold, and no more. This is why they made sure to state clearly that Section 7 did not extend the powers of the federal government nor of the provinces. In March 1988, Prime Minister Trudeau, who certainly could not be accused of being partial to Quebec, told the Senate's plenary committee that he had offered such a clause to Premier René Lévesque in 1981, but was turned down.

But to clarify the debate, it is not enough to put it into perspective. One must also correct wrong interpretations which, presented as heartfelt truths, distort the analysis and lead to regrettable attitudes. For instance, we hear more and more that Premier Bourassa's inflexibility blocks any solution and prevents the search for a compromise. In actual fact, most of the opponents to the Accord in Quebec criticize its shortcomings. The agreement achieved at Meech Lake is the ultimate compromise, the result of a long, arduous process throughout which Quebec never ceased to make concessions.

Another misconception stems from the alarmist descriptions of the treatment of the English-speaking minority in Quebec. They end up projecting an image of intolerance in Quebec. A good many reactions, brought about by Bill 178 for instance, might be more qualified if they took into account the fact that our English-speaking friends in Quebec have access to services in their own language, have a well-endowed network of cultural and educational institutions (universities, colleges and schools of every level) not to mention first-class hospitals, communications media, television networks, radio stations, newspapers, and the like. Sometimes, one would love to be able to read in Quebec's English-language newspapers an objective comparison of the treatment anglophones receive there and that of French-speaking minorities outside Quebec. It should also be stressed here that the English language is not threatened as the French language is.

One wonders if we are not somehow skirting reality. While one of the world's mightiest empires is crumbling, while the Soviet Union is doing away with State communism, while a wind of freedom and democracy is sweeping the planet, while the Berlin wall is tumbling down, while the big powers are meeting this week in Ottawa to discuss German reunification, while a strong, united Europe is looming on the horizon, while Nelson Mandela is finally freed, while the world is rebuilding all around us, what are we doing in Canada? We are fighting about whether such or such a term should be included in such or such a paragraph of the constitution, rather than another. Rather than preparing to meet the new technological challenges, concentrating our energies on conquering new markets in the fields that are opening up, and coordinating our creative efforts in a true national movement, we are confining ourselves to introspection.

While the others envy our space and our environmental heritage, extol our tolerance and the wealth of our cultures, while they expect us to assume a prominent role in the search for peace, the affirmation of democratic values and the promotion of the environment, are we going to go on for a long time yet listening to our own heart, refusing the heritage of the past and the fruits of a promising tomorrow? To question the pact between the two founding peoples and condemn Quebec to constitutional isolation is to turn our back on history and fail our mission.

How would future historians be able to explain the failure of an agreement signed by the Prime Minister and the ten provincial premiers, approved in Parliament by all three national political parties and then ratified by the legislatures of eight provinces representing 93 percent of the country's population?

Is it conceivable that English Canada would slam the door a second time in Quebec's face at a time when, willing and eager to pursue our common dream, Quebec is extending its hand? How can we pull the debate out of the surrealistic sphere in which it has been set? What is to be hoped for is that Canada will be able to effect a prompt return to reality. Should we start thinking about the consequences of a failure of Meech Lake? Such speculations are certain to draw charges of blackmail and panic-mongering. I can assure you, though, that if the Accord is ratified, Canada will experience an improved investment climate, job creation, and we will be able to move forward, undistracted, on so many substantive and pressing issues. What we need now is a collective act of faith in our common future. Meech Lake provides us with the best possible way to turn a page and open a new chapter of cooperation and economic development that respects environmental imperatives.

Environmental improvement and protection represents not just an issue that can unite all peoples for a common good; it offers extraordinary technological and business opportunities that have already led to the creation of a $3-billion industry in Canada alone. This is one of the challenges we have to take on together.

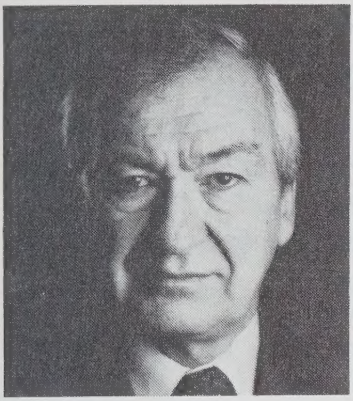
Economic success depends less and less on natural resources - until now the key to our prosperity - and more and more on added value, technology and competitiveness. The future belongs to those who can surpass themselves, to the convergence of enthusiasms, in other words to those who have made peace with themselves. There can be no reconciliation without tolerance and without acceptance of the other, of what differentiates it and guarantees its survival. That is nothing new for us, in Canada and in Quebec. It is on such values that our forefathers built the country.

In the end, what we are called upon to do is merely to be true to ourselves. I cannot believe that Canada will be the country of missed opportunities. Common sense and reason, as in the flag debate, will no doubt prevail before it is too late. Thank you.

The appreciation of the meeting was expressed by John Tory, Partner, Tory Tory DesLauriers and Bennington and a Director of The Empire Club of Canada.

Footnote to history:

On May 22, 1990, Lucien Bouchard resigned from Cabinet and became part of the Bloc Quebecois.



February 22, 1990

## Pierre Juneau

Former President Canadian Broadcasting Corp.

# THE GREAT DIFFICULTY OF ESTABLISHING COMMUNICATION IN CANADA

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Chairman: **Sarah Band**
President

**Introduction:**

Distinguished guests, Head Table guests, Empire Club members, ladies and gentlemen.

Our guest today, Pierre Juneau, has been called "Canada's Cultural Mandarin", and "...a Quebecker who understands English Canada." He has just left the CBC after, "...one of the most remarkable careers in Canadian broadcast history..."

As Chief Executive Officer of the CBC he was responsible for close to 11,000 employees, a budget of nearly $1 billion, two national television and four radio networks, a northern radio and TV service with broadcasting in seven native languages as well as French and English and an international radio service which broadcasts in 10 languages. He is also affectionately called, "...The Patron Saint of Canadian rock 'n' roll". And his name will live forever in the Juno awards.

To understand the complexity of this amazing person, it helps to know that his entire career has been involved with the Canadian communications industry in a time when it grew from crystal sets to satellites. He served with the National Film Board, the Board of Broadcast Governors, the CRTC and with the federal government as cabinet minister and public servant. In every task he was directly involved with what Canadians were hearing on their radios and seeing on their screens. He is credited with, "...doing more to change the face of Canadian broadcasting than any man before or since." John Bassett says of him, ....."if there is one outstanding figure in broadcasting, it would be Pierre Juneau."

It is interesting to see what, at the end of this magnificent career, Pierre Juneau has left to his successors:

- the largest cultural agency in the country
- the long-needed Broadcast Centre for the CBC in Toronto
- NewsWorld, the twenty-four hour news channel
- and finally, a commitment that prime time English TV will be 95 percent Canadian by 1991.

And, in his leaving the CBC, what did Canadians surrender? According to John Bassett, " The greatest mind in broadcasting in this country..."

Ladies and gentlemen, to help unravel "The Great Difficulty of Establishing Communication in Canada", let me present Pierre Juneau.

**Pierre Juneau:**

My title today, "The great difficulty of establishing communication in Canada", came to me as I was re-reading a lecture which Northrop Frye gave in Washington in 1977 on Canadian culture and the differences in cultural attitudes between Canadians and Americans.

I thought, with some sadness, that this simple phrase still applies all too accurately to the circumstances in Canada today: Meech lake, Bill 178 in Quebec, the renewed temptation of separatism in Quebec, the refusal of bilingualism on the part of some anglophone municipalities, the feeling in the West and the Maritimes that all the attention is focussed on Ontario and Quebec, etc.

Indeed, it is difficult to bridge the solitudes of Canada. As Northrop Frye points out: "Everywhere in Canada we find solitudes touching other solitudes: every part of Canada has strong separatist feelings, because every part of it is in fact a separation. And behind all these separations lies the silent north full of vast rivers, lakes and islands that, even yet, very few Canadians have ever seen." That is why, right from the start, instinctively, intuitively, political and social leaders considered broadcasting as a potent force to bring Canadians together. The first radio station in North America, CFCF in Montreal, then called XWA, started on May 20th 1920. Three years later, there were 34 stations in Canada and 500 in the U.S. The first North American radio network, NBC, was created in 1926. Our first network, a publicly owned network, was set up by the CNR in 1927.

Only a few years later, the government decided that broadcasting was of such national importance that a policy was required. So we had the first of many royal commissions on broadcasting, the Aird Commission in 1929. In its conclusions, the Commission expressed a view often repeated since in various reports and statutes: "In a country of the vast geographical dimensions of Canada, broadcasting will undoubtedly become a great force in fostering a national spirit and interpreting national citizenship." Broadcasting was seen then as a national priority and many prime ministers made it a matter of personal interest. They attached their names to it. Mackenzie King created the Aird Commission; R.B Bennett applied the recommendations of the Aird Commission and established the first public broadcasting entity, the Canadian Radio Broadcasting Commission. Under Mackenzie King in 1936, the CRBC became the CBC. In moving the second reading of the Bill creating the CRBC, R.B. Bennett insisted that the bill stood in his name. Radio broadcasting, he said, "can serve as a dependable link .... by which we may be more closely related one with the other in that enduring fellowship which is founded on the clear and sympathetic understanding which grows out of closer mutual knowledge."

I remember how personally interested Lester B. Pearson was in the CBC and in broadcasting. In the spring of 1966, I had just arrived in Ottawa for the third time, this time as Vice-Chairman of the Board of Broadcast Governors. The White Paper on broadcasting, which was to lead to the 1968 Broadcasting Act, was published in the Summer of 1966. Sometime later, a Cabinet Committee started working on the policy decisions that would guide the drafting of the new bill. Judy LaMarsh, as Secretary of State, was the Minister responsible, but Mr. Pearson chaired the Committee himself. I heard him say, perhaps jokingly, that after the job of Prime Minister, the most important job in the country was that of President of the CBC. I can swear that I never thought then that I might eventually occupy that position. For one thing, the incumbent President was Al Ouimet and in spite of his difficulties with Judy LaMarsh, people thought that he would endure as long as the Rock of Gibraltar or, sticking to Canadian content, as long as the Canadian Shield.

Today the rhetoric is still pretty well the same but the reality is different. Some people think the CBC takes too much room in Canada. But the fact is that if you look at the Canadian broadcasting scene today, the CBC occupies much less room than it did in previous decades before CTV, Global, TVA, Quatre-Saisons were developed, before cable brought all U.S. stations not only to Vancouver, Toronto and Montreal, but through microwave and satellites to every distant region of the country, before the advent of U.S. and Canadian specialty services became possible as a result of the combination of satellite and cable development.

The pressures for the extension and improvement of CBC services have not come only or even mainly from the CBC. Of course the creative people in and around the CBC and their unions who depend on the CBC for self expression and for jobs, want to preserve and to improve and enlarge the CBC. Of course the Boards, the management and the staff of the CBC believe in its importance for Canadians. But the demands have come from outside the CBC. Paradoxically the CBC throughout the years has been in the ambiguous position of having to resist demands for improvements which it felt were highly desirable but which it could not afford to provide. Demands for more Canadian programs, more drama, more regional programming, more stations, additional transmitters to serve isolated or minority areas, better service for the North, etc. Every day letters and requests have come in. CBC files contain inumerable letters from MPs, MLAs, mayors, premiers, federal ministers, including ministers of finance, asking for improvements and increases in CBC programs and services. Parliamentary committees, Senate committees, royal commissions, task forces have all concluded that Canada needs a more developed CBC. The Task Force on Broadcasting Policy co-chaired by Gerry Caplan and Florian Sauvageau, appointed by the present government, was very much of that view.

And then there are the decisions of the CRTC. If you look up those decisions dealing with the CBC, you will see that they all plead for an improvement of CBC services, not only from 1968 to 1975 but also ever since then.

The two recent appointments at the head of the CBC have been seen by everyone, including myself, as excellent appointments. And I would not want to say anything to make the work of these two people more difficult than it already is. Like everybody else, I can only wish them luck, with the conviction that they are not only very capable but totally dedicated to the basic values of the CBC. So I have neither the intention nor the inclination to second guess them on the difficult decisions they have to take. However it is important that we should all look at the facts concerning the CBC and that we should see what are the constraints within which its management must now operate. It seems that the CBC is now in such a position that the best we can hope for is that programs may not be greatly reduced.

Last spring, after the announcement of the budget, I was much more pessimistic. I said then, that after all the cuts, the CBC was likely to become unrecognisable. However, during the summer, certain uncontrolable costs, like taxes, were recognized by the Government and some important help was provided amounting to $19 million a year. But I'm sure it will take some time before we know, and even before the Board and the management of the CBC know, the definite impact on programs and services of this developing budget situation.

In the meantime, the contrast between our traditional rhetoric and actual political decisions has become sadly ironic. We are still paying lip service to the principle of the

CBC as an essential institution. But we have put the CBC in such a position that more and more people, and among them decision makers particularly, are saying that CBC television is too close to private television. So, they say, why do we still need to spend so much money on it? You can read this sort of thing constantly in newspapers and magazines. You hear it in private conversations. In fact, the Minister of Communications himself is saying that publicly as he argues for a more cultural CBC.

Mind you, I don't agree with this assessment of CBC programming. I think that in spite of budget constraints, CBC people, with remarkable spirit and talent, have managed to maintain a level of Canadian programming that private stations cannot match. However the need for more Canadian programming of quality is so obvious to people that this judgment is inevitable. That is why it is made in both English-speaking and French-speaking Canada.

The problem is particularly acute on the English-speaking side because of the overhelming presence of U.S. drama and entertainment on English television. But it now seems that the extremely important goal of increasing Canadian programs to 95 percent in prime time on the English network will now have to be abandoned. This is all the more distressing if we recall that the recent increases in prime time drama were the result of an enormous effort on the part of the English network and regional program staff who had agreed that this goal of 95 percent was so important that some regional programs would be dropped in order to make it possible. And they were.

Let's not forget on the other hand that if we consider the whole day program schedule, the CBC still cannot afford to program more than the minimum demanded by the CRTC regulations: that is 60 percent. This is 22 years after the 1968 Act was passed. French television is doing somewhat better at 71 percent.

The issue on the French side is not so much to increase the quantity of Canadian programs but rather to increase the level of quality in order to differentiate CBC programs more clearly from commercial programs. This problem is felt so vividly in French Canada that there has been a revolt in the last couple of years on the part of all the professional TV groups including producers, writers and artists about the low level of program budgets on French radio and television. They have compared budgets on the French side to those on the English side and have come to the conclusion that French budgets were very much inferior. The Caplan-Sauvageau Task Force had reached the same conclusion. We of course knew this within the CBC. It is due to the fact that management can only equalize program budgets to a certain extent, by using its government funds. The level of commercial revenue is of course much lower on the French side: about half of the English revenue. Therefore management compensates with its government money. But as government funding goes down and the CBC has to rely more on advertising revenue, this has a very negative effect on French program budgets. The number of hours of programming is roughly equal and the total amount of money is much lower; therefore the budget per hour is much lower. In a purely commercial context, this would be considered as quite normal. Baton Broadcasting for instance can spend more per hour than the CTV station in Charlottetown and less than the CBS station in New York. However we have to remember that we are not in a purely commercial context. The CBC is a public service and the Broadcasting Act creates the same status for the French services of the CBC as for the English services. There is no distinct status yet, not under the present legislation. And producers point out that it costs roughly as much, given the same quality level, to produce an hour in French as it does in English. I happen to agree with this, as a general rule.

As a result of this budgetary situation, there are programs on the French network that are maintained only because of their low cost and their expected commercial revenue. I pointed out, however, to our French staff that the solution was not to rob Paul to pay Pierre, since so many needs on the English side were not being met and they agreed with this.

The Board of the CBC was so much concerned with this problem that about a year ago it created a special committee to deal with it. A report was produced for the Board which showed, to no one's surprise, that the facts were right. However it's difficult to see what can be done about it in the present circumstances. All this to say that not cutting programs will be a bit like being forced to review your household budget and finding out that you may be able to maintain the heat in your house at 15 degrees celsius.

In such circumstances, one can wonder whether we need a new broadcasting act or whether we need more determination to make the present legislation work? Many of the authorized people in broadcasting have asked that question. In other words, there is a great risk that new legislation may be a replacement for real action. Moreover the proposed new legislation will be adding new objectives to those that already exist and putting additional emphasis on existing objectives. However it doesn't contain anything and neither does the budget, about the means to achieve those ends.

French activities, programs and structures in the CBC, in both radio and television, have always been significantly different - or distinct is no doubt a more contemporary word - from the English programs and activities and structures. The new legislation will add words to that effect but will not do anything to alter the distinctly lower program budgets of French radio and television. Neither will it do anything to improve services or programs to French minorities of the West, the Maritimes or Ontario.

The Bill contains a reference to the need for a complementary or cultural network presumably because, in the eyes of some people, CBC programming is too popular and not cultural enough. But at the same time budget constraints are forcing the CBC to maintain more American commercial programs. Producing more Canadian programs of greater cultural significance is indispensable on both television networks. But it is more expensive than buying U.S. programs off the shelf or scheduling sports. There is no complicated policy or legislative issue here. It is a budget problem, period. This matter has been discussed in at least three strategy papers of the CBC, one published under Al Johnson and two while I was President, including *Let's Do It,* prepared for the Caplan-Sauvageau Committee. They all agree, and so does the staff of the CBC generally, that there should be more Canadian theatre on the air, more music, more dance, more opera from many parts of the country and more programs without commercial interruptions or with fewer commercials. Private broadcasters would be pleased with such a course of action. So would the CBC.

I read in the newspapers that the CAB will join the CBC in opposing before the Parliamentary Committee the establishment by the Broadcasting Bill of a new cultural network. They are right of course. It would be odd, to say the least, for the government to reduce the financial ability of the CBC to produce more cultural programs, and then to turn around and fund a separate "cultural" network. The reason CBC television programming does not contain more performance programs, say from Stratford or Calgary, is not a result of policy. The way the CBC has run its radio networks shows that it knows a thing or two about culture. The reason is purely financial. Advertising income in the CBC has increased from 20 percent to 28 percent of total income. Some of this is just better salesmanship. However when you are forced to count on such a high level of commercial revenue and when your non-commercial income is being reduced, it is bound to have an influence on your programming. There will be, no doubt, renewed emphasis in the bill on the regions, but nothing to enable the CBC to provide a better service to the regions or to the North.

The commercial revenue of the CBC from television advertising has been the subject of a great deal of talk recently in Toronto, Montreal and Ottawa. After a great deal of lobbying by the broadcasting industry, the Minister of Communications has raised the issue of the CBC abandoning its commercial revenue or some of it. He has suggested that a public debate about this idea might be useful. The debate has taken place many times. My own view on this subject has not changed since 1974 when I was chairman of the CRTC. I felt then, with my colleagues of the CRTC, that the CBC should not have to rely on commercial revenue to the extent that it did. We proposed that the average number of minutes of advertising on CBC television be greatly reduced. The idea was rejected by both the CBC and the government. I am still of the same view, namely:

- that the average number of minutes of commercial interruptions per hour should be lower;
- that some other programs should include very few commercial interruptions;
- that more programs should be free of commercials;
- that the news should be uninterrupted, as is now the case.

I have expressed this view often in the CBC and I think that generally CBC people are in agreement with it. However the position of the Government has been at the opposite. In the last five years, the Government has explicitely encouraged the CBC to increase its commercial revenue. The CBC could have taken the position that it is independent from the Government and pursued its own course. However, at the same time, the Government has kept reducing the supply of Government operating funds to the CBC in constant dollars. Therefore it is ironical that the Minister of Communications should suggest that the CBC should cut its commercial revenue at the very same time as the Government continues to reduce the buying power of the CBC. What is needed here is not a debate but a solution.

I can't speak for the CBC anymore but I'm sure that provided the loss of commercial revenue would be compensated by Government funds, the CBC could only agree. The private broadcasters would of course agree. I'm not in disagreement with the goal pursued lately by the private broadcasters on this subject. I just don't think they are being very brave by directing their campaign against the CBC. That is not where the problem lies. Moreover it's not likely to be effective since it is the Government that has encouraged the

CBC to seek more commercials.

I remain very proud of the Canadian tradition which established a social and cultural role for broadcasting and boldy associated Canadian business with the task of developing the Canadian system. But this system cannot function without a strong public sector and without a strong CBC. "The great difficulty of establishing communication in Canada" can only be resolved with a solid and developing CBC.

Of course, the CBC is not perfect. What institution is perfect? What private organization is perfect? What government department is perfect? I have only spent seven years out of some 40 years of my professional life in the CBC. And I have not agreed with everything in the CBC. But having seen it from the inside, I think it is a remarkable institution with a very high level of competence and dedication. And all those who are in favour of the principle of the CBC should realize that it is time to come to the support of the real CBC. We need the real CBC which is made up of real people and not only of legislation, reports, recommendations and policy documents. Real people, creative people who have been given such a difficult task, cannot go on for years, subject to the kind of harassment that has been going on. Occasionally, like everybody else, they need encouragement and support. Yes, of course, because everybody needs encouragement and support, but also because we ourselves, as individuals and as a country, need the best they can do.

The appreciation of the meeting was expressed by Douglas Todgham, Director of Development, Art Gallery of Ontario and a Director of The Empire Club of Canada.

February 26, 1990

A joint meeting of the Empire Club of Canada and The Canadian Club of Toronto

# The Hon. Michael Wilson

Finance Minister

## THE BUDGET

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Chairman: **Joyce Kofman**
President, The Canadian Club of Toronto

**Introduction:**

It is not often that a president of The Canadian Club of Toronto has the honour of welcoming the Minister of Finance twice in a season. I believe it has happened once before, but it certainly is not a custom. However, it has become customary for the Minister to address a joint meeting of both the Canadian and Empire Clubs following the tabling of the budget in the House of Commons, a tradition begun 18 years ago by The Honourable Donald Fleming. Mr. Wilson, you have followed this tradition since you became the Minister of Finance in 1984. You spoke to us last on May 8th after a budget that got out before you were ready to let it out. This time, there were no mishaps. I can only assume that you had the GST on your side which, in this context, stands for a Good Safe Tent.

Aside from the usual run of pundit forecasts, there wasn't a leak. Perhaps the sub zero weather in Ottawa helped. Last year, you were forced to break the new shoe custom that accompanies the tabling of the budget. This year, you spurned the custom, telling us clearly that this is not the time for unnecessary expense. Frankly, new or old, not many of us would want to be in your shoes.

Jeffery Simpson, writing in the Globe and Mail last Thursday, said "Finance Minister Michael Wilson has done it. He has got just about everyone and every region mad at him . . ." Unfortunately, having to trim expenditures is no way to win a popularity contest in this country. However, to quote from a Coopers & Lybrand budget analysis, it seems that the real question is one of trust combined with good luck. We are grateful that a man of your integrity and intelligence is trying his utmost to meet the challenge. We welcome to the platform The Honourable Michael Wilson, Minister of Finance.

**Michael Wilson:**

I welcome the opportunity to be with you today. It is now something of a tradition for me to appear at this podium shortly after bringing down a budget in Ottawa, and I am pleased to do so again.

Last week I presented my sixth budget as Minister of Finance. It is a tough budget, tough because it calls for some serious belt-tightening in federal programs and services, tough because it also calls on the provinces to do their part. But I believe it does so in a way that is sensitive to the circumstances of individual Canadians as well as the relative financial strength of the provincial governments.

No one likes hearing that they will have to do with less. So, in a purely conventional sense, it was not a good news budget.

But that is not the whole story, or even the most important story, of the budget. Most people, when they tighten their belts, also instinctively straighten their backs, and in this sense it is a good news budget.

It declares in no uncertain terms that, as a government and as a people, we **are** straightening our backs. We are taking hard but unavoidable decisions to get our financial house in order. We are dealing squarely with the closely-linked problems of the deficit and inflation – the two problems we must resolve if we are to build a secure and rewarding future for ourselves and our country.

No one can doubt that we are moving into a new world in the 1990s. Long-standing barriers to change are crumbling at a dazzling pace. This new world is at once more open and economically more competitive than we have ever known.

It is a world that is going to test our ingenuity and competitive abilities to the hilt. For only an innovative and expanding economy, an economy open and responsive to change, can create the growth and jobs and wealth that will make it possible for us to realize our individual and national goals.

As Canadians, we have every reason to regard our future with confidence. But I put it to you directly: we cannot expect to secure our future if we expect to carry into it an increasing burden of debt, and increasingly heavy interest payments on that debt.

That is why we have asked Canadians in the budget to join in a broadly-based program over the next two years to reinforce our efforts to control government spending. We are doing so without raising taxes. This program will get us over the hurdle and keep us on track to reduce the deficit from $30.5 billion this year to $28.5 billion next year, or $26.7 billion if you exclude the start-up costs of the Goods and Services Tax. We will cut the deficit in half to $14 billion in three more years and reduce it further to $10 billion in the year after that.

This will mean that within five years the government will begin to buy back its bonds and Treasury bills. The country will be on a clear path of substantially reducing its debt.

Since November 1984 the government has pursued a coherent and comprehensive plan to build a solid foundation for Canada's economic future. That plan was designed to put Canada and Canadians in a position to meet the challenge of a changing world in a stronger and more flexible way. The plan had two main thrusts. The first is to put the government's financial affairs in order, so that we can reduce and ultimately eliminate the federal deficit. The second is to put policies in place that free the creative energies of the private sector, so that it can meet the competitive challenges and opportunities of the new world economy.

We have made substantial and clear progress in each of these areas.

In 1984, when we came to office, the federal government's spending was out of control. After 15 years of living beyond its means, the government had accumulated a national debt of $200 billion.

As a result, in a very real sense, Canada was saddled not with one deeply-ingrained federal deficit, but two.

On one hand, the government was spending $16 billion more on programs and services than it collected in revenues, and had to borrow the difference. That was the first deficit – the operating deficit.

On the other hand, the government was spending another $22 billion in interest charges on its mountain of debt, and had to borrow that, too. That was the second deficit. Together they added up to a crushing overall deficit of more than $38 billion.

Before we could begin to do anything about the second deficit, we had to tackle the operating deficit and its root causes – over-spending and eroding government revenues.

On the spending front, we looked first at the overhead costs of running the government itself – salaries, travel, equipment and the like – to see where we could do with less. We looked carefully and we took action. We have reduced the number of public servants by more than 12,000. Today the public service is the same size as in 1973, and carrying a larger workload. The cost of running the government is less than in 1984. We have reduced the number of Crown corporation employees by 75,000, partly through privatization and partly through rationalization and by the elimination of waste and inefficiency.

We have brought the same discipline to spending on government programs and services. By 1987-88, through rigorous management and realignment of programs, we turned the first of the two deficits – the government's operating deficit – into a surplus. Today, instead of spending $16 billion more on programs than we take in, we are spending $9 billion less – a $25 billion turnaround in just five years. Put another way, if it were not for the interest we pay on the public debt, we wouldn't be talking about deficits at all. We would be in the black.

About 70 percent of this progress results from expenditure restraint. To achieve it, we have reduced program spending as a share of the economy to its lowest level in almost 20 years.

Since 1984, as a result, we have slowed the annual growth of the public debt from 24 percent to less than 10 percent this year. Yet for all of this progress, the debt is still growing faster than the economy – faster than our ability to pay the rising interest charges on it.

The reason for this is what is often described as the magic of compound interest – the interest paid on interest. If you are a saver, compound interest indeed has a touch of magic to it. Money invested and left to grow at a rate of 10 percent doubles in about seven years. But if you are a debtor, the magic turns to dust: you have to keep on borrowing to pay interest on interest.

This is precisely what is happening in the case of our public debt. It has grown from $200 billion to $350 billion in five years. Fully $120 billion – or more than 80 percent – of this increase consists of the compounding interest on the original $200 billion. These stark figures help to explain why the government's deficit for this year is still $30.5 billion, despite the spending cuts and tax increases we have brought in. They also explain the urgency of breaking the vicious circle of growing debt and debt service costs.

Some critics say that we shouldn't worry about getting our deficit down any further. I don't for a minute accept this position, for several reasons. This year alone, interest payments will cost us $40 billion – equal to $1,500 for each and every Canadian. This amounts to 35 cents for every dollar the government collects in revenue – money we could otherwise use to get taxes down, maintain existing programs and meet new priorities such as environmental protection, research and development and skills training.

By reducing the deficit, we can get that 35 cents down and gain much greater control over our destiny.

Another reason is that, having turned the corner with our operating surplus, we are already a good part of the way there. Now is not the time to give up the fight. Consider, for example, how far we have come compared to other major industrial countries. In 1984, Canada's deficit, on a national accounts basis, was 6.8 percent of GDP. That was 2.4 percentage points above the Group of Seven average. Now it is down to 2.8 per cent of GDP, or 7/10ths of a percentage point above the G-7 average. On the expenditure side, our performance in reducing program expenditures is better than that of both the U.S. and Great Britain.

Achieving an operating surplus is a considerable milestone. It marks a fundamental structural change in the balance of spending and revenues. In 1991-92, we will reach another milestone when we stabilize our debt-to-GDP ratio – our debt will no longer be growing faster than the economy. We're doing well. We know we must go further. But let's not give in to the habit of denigrating our accomplishments. Let's measure up to a better Canadian tradition, and finish the job.

The government's new expenditure control plan will ensure that our operating surplus continues to grow. It must, to offset the growth of the debt. And to ease the burden that interest payments impose on our freedom of action, we must continue to deal firmly with the greatest single threat to our continued fiscal and economic progress. That is the threat of inflation.

As Canada's strong economic expansion of the last seven years has matured, demand has increasingly outstripped the economy's productive capacity. This has fuelled inflation. A slowing economy is helping to ease the strain, but underlying inflationary pressures remain too high. Only by lowering inflation can we get interest rates down, keep them down and put the economy back on the path of sustainable expansion.

The prospects for lower inflation and interest rates depend crucially on responsible price and wage behaviour. Prices have consistently been inching upward. The consumer price index (CPI) rose from 4 percent in 1988 to 5 percent last year to 5.5 percent in January. The appreciation of the Canadian dollar in 1989 restrained inflation. Without it, the CPI would have been above 6 percent.

On the wage side, federal government wage increases have been below the inflation rate and below the pace of wage increases in the private sector since 1984. In 1989, federal wage settlements averaged 4.2 percent. However, the combined settlements of other levels of the public sector averaged 5.6 percent.

I have asked my provincial colleagues to join me in a commitment to responsible restraint. I urge leaders of the business community to recognize this need as well in both price and wage policies. And I urge labour to do the same. Quite simply, if we try to take more out of the economy than it is capable of producing, we will all pay the price of higher inflation.

I understand the frustration that people feel about the persistence of high interest rates. I share their frustration. But hard experience makes clear what the inevitable cost of a premature easing of interest rates would be. It would lead to an increase in borrowing and new demand pressures, leading in turn to more inflation and still higher interest rates. None of us wants to relive the nightmare of the early 1980s, the loss of confidence and personal tragedy brought on by soaring interest rates and soaring inflation.

The budget will help get inflation down. Our expenditure control plan, when combined with the cost-cutting measures announced last December, will produce savings of $3 billion in the fiscal year beginning April 1 and almost $4 billion the following year. Over the next five years, the total savings will come to well over $19 billion.

This restraint will require the patience and understanding of Canadians. We are putting a cap on the growth of spending for a number of major programs and freezing spending for others.

I would like to say just a brief word on business subsidies. Since we came to office, a government priority has been to get out of the subsidy business – especially for business. The fact is that we have reduced or eliminated a wide range of business subsidies. The Shipbuilding Industry Assistance Program, the Canadian Home Improvement Program, the

Petroleum Incentives Program, VIA Rail subsidies – all have been cut out or cut back. And in last week's budget, we cut some more, including the Canadian Exploration Incentives program, the Polar 8 icebreaker and the OSLO oil sands project.

As well, we have substantially reduced business subsidies conferred through the tax system, including reducing capital cost allowance rates, eliminating non-regional investment tax credits, eliminating the inventory allowance, and phasing out the earned depletion allowance, to name only a few.

There are still subsidies we do provide – subsidies for social housing, agriculture, transportation. But in this budget we have firmly committed ourselves to a more businesslike approach to business assistance. With limited exceptions, federal assistance will now take the form of repayable loans, rather than straight grants or subsidies.

The restraint measures are tough – tough but essential to restore the deficit to its downward path and hold the line against a resurgence of inflation. Taken together, they will hold the growth of federal program spending to 3 percent next year, well below the expected rate of inflation. By 1994-95, program spending will fall to 14.2 percent of national income, its lowest rate since the late 1960s.

The deficit is a national problem. It demands a national solution, and the provincial governments must play their part. But that part should be kept in perspective. Federal cash and tax transfers to the provinces are equivalent to about a third of all federal program spending. Over the past five years, while we have been holding the growth of federal program spending to 3.6 percent, transfers to the provinces have been growing at over 6 percent. They will continue to grow – but, under our expenditure control plan, no faster on average than our own program spending. Bear in mind, as well, that this means a reduction in federal transfers amounting to less than one percent of provincial revenues.

In the case of Ontario, along with British Columbia and Alberta, a little extra effort is required. These are the three wealthiest provinces.

The transfer of payments Ontario receives will increase at 2 percent in each of the next two years, compared with 4 per cent in the Atlantic provinces, for example. I believe the people of Ontario will agree that the provinces which are less well off should bear a lighter part of the national debt-reduction burden. What we are doing may not be welcome, but it is fair, necessary and reasonable.

I have been concentrating on the fiscal problem which we committed ourselves to bring under control starting in 1984. That is only half of our economic policy. The other, equally important part, is the range of policies we have introduced in a co-ordinated way to improve the efficiency of the economy – our structural policy initiatives. The Canada-U.S. Free Trade Agreement, deregulation of the energy and transportation sectors, tax reform, our new Labour Market Development strategy, privatization of Crown corporations, the Goods and Services tax – all are designed to lessen the burden of government and remove obstacles to economic growth.

We will continue to privatize Crown corporations and sell investments where government ownership is no longer needed to meet public policy objectives. We have decided the time has come to sell the government's shares in Petro-Canada and Telesat Canada, which will enable them to strengthen their roles in their two key sectors of the economy. The sale of these corporations will reduce the government's borrowing requirements. This in turn will reduce interest charges on the debt.

Taken together, all of these reforms will significantly increase the capacity of the Canadian economy to produce goods and services. Over the first half of the 1990s, they will raise our potential growth from an average of 2 3/4 percent annually to more than 3 1/4 percent. Over this five-year period, achieving that increase in potential growth will translate into an income gain of $2,500 for a household of four. Achieving it will mean more jobs and an improved standard of living for all Canadians.

The challenge we face, in the current testing period for the Canadian economy, is not to falter in dealing with the problems of inflation and debt. If we maintain our resolve, the prospect of lower inflation is within sight and we will have the deficit under control. By persevering, we will attain greater control over our destiny, and a greater freedom to build the Canada we want for ourselves and future generations.

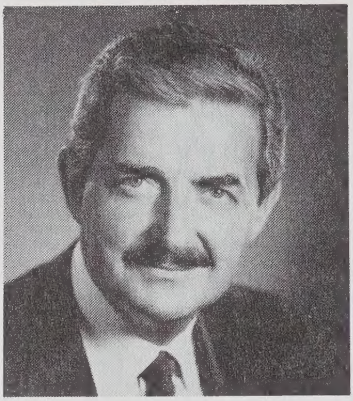
The appreciation of the meeting was expressed by Sarah Band, President of The Empire Club of Canada.

Honoured Guests, Head Table Guests, members of The Canadian and Empire Clubs; ladies and gentlemen. It is my honour to express the thanks of our members and guests to you today Mister Minister.

It is not without reason that I number myself among the many friends you have in this room and across Canada. Your continuing courage in a portfolio of such enormous responsibility has earned you the accolade of all of us. Thank you for helping us to understand the complexities of a budget which brightens the light at the end of the tunnel. And thank you for answering questions about it today.

There remains only one question, which only I would dare to ask – why is the creation of a budget thought so difficult, when after its presented, everyone in Canada can tell you how you should have prepared it in the first place? Can it be that A. A. Latimer was right when he wrote that, "A budget is a mathematical confirmation of your suspicions?" Michael, we can leave the answer to your next budget.

Thank you again for your time today, and your continuing contribution to the welfare of Canadians everywhere.



Peter Caton, Gerald Campbell Studios

March 1, 1990

# Matthew Barrett

Chairman and CEO, Bank of Montreal

# A PENNY EARNED

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Chairman: **MGen. Bruce Legge**
Past President

**Introduction:**

Friends and members of the Empire Club of Canada. In 1950 the Empire Club of Canada was told by Mr. Canada, also known as John Fisher, that instead of being owners ourselves of our resources we will wake up some day to find we are *OWERS* - the N is gone. This very week the Honourable Michael Wilson, the Minister of Finance, lamented to the Empire Club and to the Canadian Club the same factors which result only in deficits and national debts.

As part of setting the scene for Mr. Barrett's introduction I recall that on Monday our President Sarah Band thanked the Honourable Michael Wilson for his speech about debts and deficits. Thereafter she was admitted to Mount Sinai Hospital and on Tuesday morning she telephoned me with the news of her baby's birth and to instruct me to preside in her place today. I suggested to her that the baby should be named Michele after Michael Wilson but she was adamant that her daughter would be christened Zoe Lilliana! All of this contemporary history should be noted in your introduction, Mr. Barrett.

The privilege of introducing our guest brings with it the responsibility of examining his biography. And having done so, I believe he began life as a banker and, moreover, as an Irish banker. The Bank of Montreal is the oldest chartered bank in Canada. It was founded in Montreal in 1817 and now has about 1300 branches. Mr. Barrett joined that bank in England at the age of 16 to earn enough money to be a writer. But, he acknowledges that he "had zero talent in writing, and a black belt in balancing cheque books." Sir, I love your idiom because balancing cheque books is certainly a martial art!

Matthew Barrett arrived in Canada in 1967 and strode through the sixteen-step choreography of promotion to take the Chairmanship of the Board of Directors just six and a half weeks ago. In one of its thoughtful articles the Financial Post described Mr. Barrett as "stylish, personable and a team builder." Additionally, the Wall Street Journal says Matthew Barrett is "devoted to the institution" and "all his friends are Bank of Montreal people." Certainly his wife will endorse that assertion because Mr. Barrett met her in the Bank and one of his supporters believes her to be his best personal withdrawal from any bank.

In January of 1964 one of your famous predecessors as President of the Bank of Montreal, Mr. Arnold Hart, ended his speech to the Empire Club by saying that "solid economic progress is in store for Canada - only the rate of advance and the timing are uncertain." Twenty-six years later we welcome you as one of the youngest leaders in the world's banking community and we enthusiastically await your opinions as the Chairman and Chief Executive Officer of the Bank of Montreal. Ladies and gentlemen, Mr. Matthew Barrett.

**Matthew Barrett:**

This being my first opportunity to address a Toronto audience since taking on my new job, I naturally sought to capture your imagination with a riveting theme of the utmost national interest. But Mr. Wilson has already seized that high ground ..."Read my lips, no new taxes."... he told you. It is hard to top that. So it leaves me with a more prosaic subject - the health of our national economy.

More specifically, I want to put to you the case for improving the savings rate in Canada, which I see quite simply as a strategic imperative if we are to prepare ourselves sensibly for the future. Here my focus is not on 1990 or 1991. I am thinking longer term: a directional shift extending over the next decade or two.

Now I know there are risks in taking a long term view. Predictability is not a hallmark of our world these days. The magnitude and velocity of change now taking place in the political economy is almost breathtaking. Who among us a decade ago - even a year ago - could have imagined the events in Eastern Europe; or in the Soviet Union itself; or that "Europe 1992" would in fact come to pass. More improbable still, who would have thought that the United States would be the world's biggest debtor, while Japan and Germany would be the biggest suppliers of capital. As we approach the end of the 20th century, history seems almost to have accelerated its pace. It's as if the more things change the less they will remain the same.

It is obvious that we face a future more than usually fraught with uncertainty. But one thing we can be sure of - the drive for economic renaissance, fuelling still more change, will lead to a world economy that will make today's competitive environment seem like a playpen. An economy like Canada's - mid-sized and open - needs to watch out for itself. The question to ask ourselves is this: Are we well enough prepared to meet the inescapable challenges coming?

First off, we have much to crow about in Canada. We are just coming off seven years of strong growth, second only to Japan. And we have made substantial improvement in our international competitiveness. Today, we are ranked fourth among all the OECD nations in overall competitiveness, up from seventh in 1986. In fact, this even placed us ahead of West Germany in 1989 - no mean feat. This ranking is found in the respected World Competitiveness Report, which looks at all 23 OECD nations. This report spells out the many areas of competitive strength we in Canada enjoy: "Natural and Human Resources", "Economic Dynamism", "Industrial Efficiency", as well as the relative absence of what is called "State Interference". On each of these measures, Canada has shown marked improvement over the past three years. These are impressive accomplishments and they should augur well for our ability to hold our own in the international marketplace - at least over the next couple of years. Beyond that, though, the outlook is not so rosy. The report also makes clear that there are some serious weaknesses in Canada that need to be tackled. One such area is investment in research and development and the commercialization of new technologies. Here, Canada slipped badly - from ninth place to fifteenth in just three years.

The crucial area where we slipped very badly is the category known as Financial Dynamism which, simply stated, encompasses the many dimensions of the financial environment in which we all operate. The report takes us to task for

- continuing massive budget deficits,
- rapid growth in government debt to fund those deficits, and
- a decline in the domestic savings rate.

Under this heading, we fell from seventh, which was already barely acceptable, to eleventh. This clearly is a problem area, posing a significant threat. It is my contention that unless we build more muscle in the area of Financial Dynamism, our present overall ranking as a competitor could fall off a cliff in the next decade. And if that happens, we would be the first parents in generations who could not look forward with contentment and optimism to a better life for our kids than we enjoyed. Is there some miracle cure for the disease wasting our financial dynamism? Of course there isn't. There seldom is. No single policy prescription will set things right. But there is one old-fashioned remedy that would at least put us on the road to recovery - and that is an improved national savings rate.

The idea is not new, it is not novel, nor is it trendy. But it is still valid, and for a very good reason. Saving is essential to fund investment, and investment is one of the most potent forces behind increased productivity. Only through improved productivity can we enhance our competitive standing. That's why saving is so important. Without productivity gains, there can be no improvement in real Canadian living standards. The logic of this is indisputable. If the amount produced by each worker does not grow, real income per worker does not grow. To illustrate, let's compare productivity growth. In the last 20 years, productivity growth fell from nearly two and a half percent to less than a half percent. Not surprisingly, real income growth fell with it, from three and a half percent to less than one and a half percent. Why is this so important? Let's look at just two areas that will demand our attention - demographic change and environmental concerns.

We know Canadians are aging. By the year 2040, we will have three times as many seniors in Canada as today. Inevitably, just to maintain current levels of health care and social services will require an expansion in resources. A similar increase in resources will be required to stay abreast on the environment. And these are just two priorities among many that will strain our resources. How are we to step up to their increased price-tag if productivity growth is stagnant? The answer is simple. We can't. There's only one way to pay the bill if you don't want to lower living standards. Productivity needs to be kick started again, and that means more investment, which brings me right back to where I started: we need more savings.

Investment is not, of course, the only contributor to productivity performance, but study after study has demonstrated its critical role. Equip workers with more capital goods and you almost always get greater output per worker. So, the linkages between investment and productivity growth are clear. Equally clear is the linkage between domestic savings and investment. High saving countries frequently have a stronger investment and productivity performance than low saving countries. The Japanese and Germans built their investment and productivity track record substantially on their domestic savings level. Japan continues to lead the field with a savings rate of 17 percent, Germany is second with a 13.5 percent rate.

The Canadian rate is below 10 percent. And that's down from nearly 12 percent in the late seventies. By any measure, it's a mediocre performance, and it's getting worse. The question is, what do we do about it? For one thing, I suggest we stop shooting ourselves in the foot with a tax structure that actually **dis**courages savings. Let's keep in mind that many Canadians are already in the 50 percent tax bracket, or close to it. I am dreading the prospect of a customer complaint letter that might read something like this:

"Dear Mr. Barrett,

I've invested in one of your bank's GICs that pays me 10 percent interest. When I get the interest, Mr. Wilson takes half of it, and inflation eats up the rest. My real rate of return is zero!

Yours insincerely, a Canadian saver."

How am I supposed to answer this customer?

Small wonder that people are tempted to spend rather than save. To make saving the intelligent choice, we need to tilt the tax system away from income and toward consumption - which brings me to the GST. I must have a latent death wish to talk positively about these three letters - but I will anyway. Of course it has its design flaws. Yes - the base is too narrow, and yes, the application is inefficient, too complex, and so on. But despite all that, it has the virtue of eliminating the Manufacturer's Sales Tax, (one of the worst taxes ever, to which I say - good riddance). And it is a tax on consumption, not income. I would even go as far as supporting a higher GST rate - as long as the government were to offset the revenue gain with reduced income taxes.

We should be getting rid of the taxation of inflation. Specifically, it would be a real boost to business in this country if capital gains were adjusted for inflation. As the rules now stand, the real rate of return on investment is diminished. Likewise, taxing inflationary gains on savings also diminishes the real return to savings. And we also need to look at eliminating all forms of double taxation of income, the two most obvious being interest and dividend income. The message that double taxation sends out - yet again - is that saving and investment is not the smart choice. And speaking of tax incentives, the sooner the government raises the limit on RRSP deductibility, the better. RRSPs have had a strong positive effect on Canada's savings rate. A higher limit would help Canadians better control their incomes during retirement. Indeed, if social welfare programs continue to edge away from universality or suffer cutbacks, RRSPs will be increasingly important. Ultimately, good for us when we retire; meanwhile, good for the country's savings rate - a nice win-win strategy!

These tax reform measures would, in my view, increase the national savings rate over time. But this effort will all be in vain unless we launch a more aggressive attack on our federal and provincial budget deficits.! It is not the deficit *per se* that is the problem; nor even the large stock of debt! The problem is that deficit spending is national dis-saving: governments are spending money faster than we can save it! And to the extent deficits are funding consumption and debt-service costs - which, increasingly, is what our deficits are doing - they cannot possibly help our productivity. That, in a nutshell, is what the debt debate is all about. The expenditure cuts announced in last week's budget are certainly welcome, although, I confess, a bit timid for my taste. I just hope that they are the start, not the finish, of a sustained effort, and one that will not be derailed by the provinces.

The further problem is that deficits drive up real interest rates, putting us at a significant disadvantage on the cost of capital, relative to our competitors. The cost of capital is also determined by other factors. We know, for instance, that countries with lower rates of inflation also enjoy a lower cost of capital. So it is important to resist those voices who are calling for the Bank of Canada to moderate its anti-inflation stance. Until the forces of inflation are in full retreat, it is difficuft to criticize the Bank of Canada. Hang tough, Mr. Crow! If we make these reforms, and the savings rate does improve, how do we encourage it to fund domestic investment? Empirical evidence suggests that savers and investors have a natural bias in favour of their home country, but evidence also tells us we can't take this tendency for granted. To ensure we hold, or better still, improve our share of any increase of domestic savings, the investment environment in Canada must remain attractive.

To the Government's credit, we have improved the investment climate for both domestic and foreign capital. Added to that, we have entered boldly into a free trade agreement with the U.S. But to reinforce these important advances, more must be done to bring down budget deficits and to build up incentives to save and invest. Policy-makers must look towards the next century, not just the next election. I'm struck by the fact that our parents and grandparents were right. Savings are the source of future wealth, for individuals and for the nation. A higher savings rate will give us greater control over the levers of our economy, and the ability to pursue a more independent national agenda.

For a banker to applaud higher savings comes as naturally as a dentist promoting six-month check-ups. But I am certainly not alone in extolling the virtues of saving. Past generations needed no persuasion, from bankers or anyone else. For them, hard experience was quite enough. In their world - one with no safety nets or guaranteed income supplements - they knew only too well the value of savings and investment. For present and future generations, let's make Ben Franklin's adage a reality. Let's make sure "A penny saved is a penny earned".

And please don't put it in your piggy bank.

The appreciation of the meeting was expressed by Montague Larkin, Stockbroker, Treasurer, Toronto Arts Council and a Director of The Empire Club of Canada.

March 8, 1990

## The Hon. Jean Chretien

Liberal Party Leadership Candidate

# A MODERN FOREIGN POLICY

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Chairman: **Sarah Band**
President

**Introduction:**

Honoured Guests, Head Table guests, members of The Empire Club, ladies and gentlemen.

It is my pleasure to introduce a great Canadian as our speaker today. In the excitement of a race, one sometimes overlooks the personality of the runners. To do so with our guest today is to overlook personal achievement of the highest order. It is to turn ones' back on a man whose career in law, politics and business give him a rare depth of insight into our country and our people.

This is a person who won his first federal election before his 30th birthday. A man who, Maclean's magazine says, "...(is) a street smart populist ... (with) an astute political intelligence".

And Mr. Chretien is capable of creating quotations which rank with those I have mentioned. He says of politics in his best-selling biography; "The art of politics is learning to walk with your back to the wall, your elbows high, and a smile on your face."

There is much more which can, and perhaps should, be said about our guest today. However, one of his comments in a recent interview causes me to stop. He said, "If you cannot put what you have to say on one page, in a nutshell, it is because you do not understand what you are talking about". I would like to avoid the implication, by ending on this page.

Ladies and gentlemen, please join me in welcoming one of this country's most respected, most popular and most recognized political figures, Jean Chretien.

**Jean Chretien:**

Merci beaucoup, Madame Band, honoured guests, mesdames et messieurs. The contribution of women in our society becomes more and more important every day and I would like to salute them all today in this International Women's Day. But I am very impressed with your president who is a mother only since eight days and she is here today. You know, that's very impressive and I wish you and your daughter good luck and I hope that after this first speech that she will be listening to, she will definitely be voting Liberal.

Today, it is a speech that I want to make on foreign affairs. Since the beginning of this campaign, I've made three major speeches. One was on the Constitution and Canadian values; the second one was on Regional Economic Expansion policy; and today, I would like to deal with Foreign Affairs.

I shall deal with Canada's position in this new and changing world, our concern and our objective - in brief, why we need a modern foreign policy and what shape that policy should take. I want a foreign policy that will pursue solutions to the emerging environmental crisis. I want a foreign policy that will ensure Canada's independence and strength in a multilateral as opposed to a continental framework. I want a foreign policy that secures greater independence in our dealings with the United States. Canada played an effective role in post-war Europe. We contributed to the design of NATO. Mike Pearson exhibited leadership in United Nations peace-keeping. The Canada of Pierre Trudeau assumed international leadership in the Arctic, in the law of the sea, in the recognition of the People's Republic of China.

We have not seen much of that kind of leadership in the past five years. Certainly not in the judgement of President Gorbachev who publicly criticized Brian Mulroney for his resistance to change. Certainly not in the United Nations where our term on the Security Council has been close to invisible. Certainly not among developing countries that are disappointed by our response to their pleas for economic help. Certainly not in Latin America where governments watched in disbelief as Mr. Mulroney blindly saluted the American invasion of Panama.

To have an effective foreign policy, I believe we must meet three fundamental requirements. First, there can be no meaningful foreign policy without a united and independent Canada, a country capable of pursuing its own national interests. If foreign policy is about the pursuit of national interest and independence, as I think it is, then Canada cannot afford to fragment and decentralize. It will weaken Canada's voice on the international stage. Canada's weakness in the international arena would, in turn, facilitate our drift into the orbit of the United States.

Second, our dealings with other countries must reflect true Canadian values; respect for human rights and the rule of law; attachment to individual freedoms and to democracy; protection of the weak and the poor; and care for our natural environiment.

Third, the fundamental requirement of an effective foreign policy is a sense of purpose and priorities. I believe those priorities should be promoting a world environmental order; a revamped international economic and monetary system and a new global framework for peace and security. But let us do more than talk. Let our actions speak for themselves, beginning with the environment. It must be at the top of any domestic and international agenda. The international community has designed a system to protect us from nuclear war, a system for trading rules, a system of rules for international payments. Now, we need a system of rules to preserve and protect the world environment. Because of its location in the world, Canada is on the frontline. In the north, we are directly responsible for the Arctic. I want to press on with an international regime for the Arctic. In the south, our proximity to the greatest industrial power on earth makes us highly vulnerable to all kinds of pollution. I want Canada in the 1990s to be at the forefront of international initiatives to achieve an international law of the atmosphere. Only if countries work together following the same rules can humanity deal effectively with environmental threats that know no boundaries.

Now, let me turn to the international trade and payments system. I believe the system to be under such stress that without remedial action it may be incapable of dealing effectively with the major economic issues of the 1990s. We cannot afford to wait for a trade war or a worldwide financial crisis before taking action. Here are some of the danger points. First, the trend to regionalism has produced three trading giants - the European community, the Canada/U.S. Free Trade area, and Japan. The danger is that these three trading giants will turn inward and erect new barriers to trade against outsiders.

Second, the gap between developing and industrialized countries is widening in spite of past international efforts. In many developing countries, standards of living, already extremely low, sank further in the 1980s, partly because they were burdened with international debt. The poorest of the poor cannot be expected to make even more sacrifices to repay the wealthy.

Third is the continuing confrontation between the United States and Europe with respect to the subsidization of agriculture and trade in agricultural products which is doing so much damage to Canadian agriculture.

Fourth is the volatility of financial markets arising from vast sums of money which cross the exchanges on a daily basis.

On the positive side, developments in Eastern Europe have created an opportunity to universalize economic agencies like the GATT, the IMF and the World Bank. A system of multilateral trade and payments at the highest level of freedom from barriers and artificial distortions should be the cornerstone of the foreign economic policy of any Canadian government. To settle for less as an objective of policy is a mistake for a middle power like Canada. The easier our access to world markets, world capital, world technology and world development, the better our chances to grow and prosper and to avoid domination by larger economic powers. That is why Canada should work with the various bodies of which we are members to open the international system to the Soviet Union, Eastern European countries and other countries willing to move toward free market economies. Apart from anything else, this economic cooperation provides a good foundation for international understanding. I believe the international debt situation of developing countries cannot be allowed to continue worsening without becoming a major threat to world peace and prosperity. Canada, as a major holder of debt, should be prepared to play a more active political role in bringing about acceptable procedures for reducing debt.

In our euphoria over developments in Europe, the needs of the Third World, the obligation to feed the hungry, must not be forgotten. Our government is wrong morally and short-sighted economically when it cuts foreign aid to reduce our deficit. In my opinion, the end of the cold war is going to convert the Atlantic Alliance and Warsaw Pact from military to essentially political instruments of consultation and cooperation. The historic developments in Europe and the Soviet Union have direct economic impact on Canada. I believe that defence budgets of our allies will be substantially reduced over the next few years. This will affect our industries which have become dependent on defence-related business. Many of our high-tech firms have prospered because of military contracts. Conversion of plans from military-related purposes to civilian purposes must be an essential part of industrial policy in Canada. If we do not act now and plan now, some of our most productive workers will be facing a bleak future. The idea of converting swords into ploughshares is as old as the Bible. Our industrial adjustment policies must take into account that it is an idea whose time has finally arrived.

I hope that the time will soon come that while keeping in close relations with our European friends, we can withdraw our forces from Europe as part of a concerted progress towards a new European order. I would like to see those forces used for new tasks at home and for peace-making in the world. Canada has a long and proud history in peace-keeping. Despite the relaxation of East-West tensions, the need for international peace-keeping operations in many parts of the world, unfortunately, still exists. Here, Canada can continue to play a leading role. Peace-keeping forces require training. I would propose that Canada offer facilities to train international peace-keeping forces. Instead of closing military bases such as Summerside, perhaps we can be imaginative and use our expertise and our facilities for productive purposes such as training peace-keeping forces of other countries.

I turn now to our relations with the United States, which must be the most important part of Canadian foreign policy. In most of our international endeavours, the United States is our leading partner. I welcome this, but we have a land of our own and a mind of our own, and we have learned by experience that the pull of the American culture and American economy is so great that it amounts to a permanent force of integration at work on Canada. This is why so many Canadian governments have had to put the brakes on continental integration or at least balance it with other forces. The more decentralized we become at home, the more difficult it is to resist the force of continental integration. That is why I insist that we have a national government strong enough to act on behalf of the whole country. The Mulroney government has chosen to accelerate continental integration and generally to follow United States policy in world affairs. The Mulroney government still fails to understand that the best protection of Canadian interests is an independent Canadian government standing on its own feet. Canada and Canadians do not want a government turned into one more Washington lobby trying to wheel and deal in the corridors of power on Capitol Hill.

I am all for a stronger trade relationship with the United States achieved through the elimination of trade barriers. I am all for open and fair new rules on services, investment and movement of resources, technology and people. I am pleased that so many of our entrepreneurs want a new crack at the continental market and I am confident that they will succeed. I am all for settling trade disputes speedily and efficiently, but I am dead set against letting our agriculture and fisheries go down the drain. I am against having our working people left to the sole play of economic forces beyond their control and without any recourse because of a perceived need to harmonize with the United States.

I believe that Canada needs a trade policy more in keeping with the facts of globalization. As you know, I opposed the Free Trade Agreement with the United States principally because I believed that an international trading policy for this country is preferable to a continental policy. I am still of that view. Nevertheless, the agreement is now in effect. So far, the results of the Free Trade Agreement, to say the least, have not been encouraging - our agricultural industry is threatened; our West Coast fisheries are facing a crisis; the softwood lumber industry is still penalized; our food processing and our furniture industry, our automotive industries are at risk; jobs are being lost; people's livelihoods are threatened. What can be done?

While abrogation of the agreement should not be ruled out, I believe that the most effective pragmatic step is renegotiation. By the time of the next election, many Canadians will have made plans and investments based in good faith upon the Agreement. Our international reputation for reliability would be better served by a renegotiation of those provisions that reflect adversely upon Canadian independence and integrity. The very fact that some Americans say renegotiation would be difficult is the best evidence that our negotiator gave away much too much.

We must ensure in the course of renegotiation that both Americans and Canadians understand a simple truth - a level playing field is only level when Canada's size and position relative to the U.S. are fully taken into account. The auto pact gave us that kind of protection. Today, we are in the process of negotiating a subsidy agreement that will form the real heart of the Free Trade Agreement. Canadians have a right to be very worried because we have a "do-a-deal-at-any-cost" Prime Minister. Unfortunately, it is the average Canadian through job loss and lower wages who will pay the price for these one-sided negotiations. Canadians need a government that will bring to the negotiating table a mandate to defend their jobs and their incomes. We also need a government that can see beyond the U.S. The United States is our biggest and most accessible market. It has been for many years. The Free Trade Agreement is resulting in even greater concentration on that market, but a tremendous shift is taking place in the world economy to date which is no longer centred on the United States.

It is time for the Canadian government to recognize the changes that are taking place by diversifying its efforts in the promotion of trade. We should be participating more actively in the Uruguay round of negotiations. This is the way to open markets throughout the world. Canadian business enterprises should be given greater practical encouragement and incentive to go after markets in Europe, Eastern Europe and on the Pacific Rim and to establish themselves in those markets as some of them are doing.

Dans le monde d'aujourd'hui, l'idée que les autres pays se font de nous a beaucoup d'importance : pour des raisons commerciales et d'investissement, pour des raisons de coopération politique également. Cette perception compte également dans le façonnement de l'image que nous avons de nous-même. S'il est une idée qui fasse l'unanimité au Canada, c'est l'image que nous aimons projeter à l'étranger : un pays sûr, en qui on peut avoir confiance, un pays honnête, solidaire, un pays capable de défendre ses idées et sur lequel on peut compter car il croit profondément dans le droit qu'ont les gens partout dans le monde de vivre dans la dignité.

But there can be no Canadian international policy, there can be no Canadian economic policy, environmental policy, social policy if we don't have a country. I am preoccupied because I care and I said on Sunday to the Prime Minister that he does not have the right to play high stakes poker with the future of Canada. You know, if around the world today, Mandela and President de Klerk can sit down and find some common ground, if the leaders in Eastern Europe and Western Europe can sit down and put their differences behind them, certainly we can ask all leaders in Canada to sit down and find a solution that would permit us to have a deal on the constitution that will allow the five conditions of Quebec to be accepted and acceptable by everybody, and at the same time, satisfy the needs of those who have some objection. But we have failed to do anything since the last two years and a half. It was evident right at the beginning that this deal was going to be in difficulty. I said that at that time and they kept the same policy that it is "my deal or no deal" - not a word, not a comma can be changed'. It is ridiculous and it is extremely dangerous. I'm telling you again that I'm convinced that we can meet the five conditions of Quebec and make a deal. But you have to meet together to do that and it is the role of the Prime Minister of the country to do that. He is the one, after all, who opened that deal. After 1982, we were not talking much any more about the constitution. We were preoccupied everywhere in Canada about other priorities. That was a great period after 1982 for my fellow Quebeckers to make a great impact in Canada because of their new commitment to economic progress, entrepreneurships and so on.

But today, we're back to discussing the same problems and I'm urging everybody to go back to the table and stop the aura that this negotiation is going to be the end of Canada. It will not. We have to appeal to the common values that we have in Canada. We have built that for 123 years together. You know, we're a much better country today than before. I would have never dared 25 years ago to speak in French at The Empire Club in Toronto and now, we can do that. The surprise is that some understand. It's like that across the land.

What we have to do is to appeal to the generous side of Canadians, not to the fears of Canadians. I see in Ontario today that there are people who are taking a lead for the protection of the English language in Ontario. Come on. You know, they are about to branch out in London, England to protect themselves against the Welsh people. You know, let's be fair and appeal to the good sense of Canadians. It's what we have to do. Nobody talks anymore in my province about Canada. Everybody seems to be shy to talk about a good thing. I will. Had I been all the way for Meech Lake, I would have had 95 percent of the vote in Quebec, of the leadership. But I knew that it was not acceptable to some provinces and I knew too that it was not to pass because of Manitoba. They have a minority government there and if he calls an election, he has to run against Meech Lake to win. So he won't call an election. And Carstairs is known for her opposition because she's afraid that women's rights might be jeopardized by the Accord and nobody will help her to change her mind on that. So let's be realistic that Filmon cannot move when he knows that 80 percent of his own members will not vote for him.

So let's go back and find a solution, where the five conditions would be met. But in order to do that, we need a Prime Minister who goes and speaks for Canada everywhere. It all started when, in Saskatchewan and in Alberta, they took rights away from the Francophones two years ago after a decision of the Supreme Court. And the Prime Minister say, "I understand. Only 25,000 and 50,000 French Canadians in the two provinces... you know, why bother. A few million here will buy peace." he said. So, he did that. No wonder if it's all right to take rights away from the Francophones in Alberta and in Saskatchewan that we take rights away from the Anglophones in Quebec. After that, fears develop and you end up with city councils here proclaiming themselves unilingual - as if there is a danger in Sault Ste. Marie that they will be taken over by the French factor. But it's the way that fear creates this situation and what you have to do is to go to Canadians and say that Canada is the best country, that it is possible to be Francophone outside of Quebec and be at home in Ontario or anywhere else in this country. If you go for a French Quebec and you go to an English Canada, that means you don't have one country - you have two and it is the beginning of the end.

So if we want to have a good international policy, we need leadership in Ottawa who will be able to speak for all Canadians. Just to have peace for the sake of peace leads to a very bad situation and we are in one today. So, what we have to do is to go to every part of Canada and say that we have built something very good and this is the message that I want to carry. I came back into politics because I believe strongly that it is possible to keep this country together to have a very good place in the world. If we are united, if we keep Canadian values as they are, a country where we have two official languages, where the French feel at home in Canada and where the new Canadians who are coming feel at home in Canada, because we believe that it is possible to be different and to be equal at the same time, we will be an example to the world. You know, when I see the wall crumbling in Eastern Europe; when I see all these countries who will have to experience democracy soon – they all have the Canadian problems. You go to Romania and they have a minority Hungarian. You go to Yugoslavia where there are six people who have to share a piece of land. We've done it in Canada for 123 years. So we have to preserve it and we will, because I know travelling from sea to sea that when people sit down and reflect, they all realize that Canada is number one. Merci beaucoup. Thank you very much.

The appreciation of the meeting was expressed by the Hon. Barnett Danson, Chairman, Canadian Arms Control Centre, Former Minister of Defence and a Director of The Empire Club of Canada.

March 15, 1990

# Shirley Carr

President, Canadian Labour Congress

# THE TRADE UNION OUTLOOK ON SERIOUS CONCERNS OF THE 1990s AND BEYOND

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Chairman: **Sarah Band**
President

**Introduction:**

Honoured Guests, Head Table guests, members of The Empire Club, ladies and gentlemen.

Shirley Carr is a leader of men and women, in a world where men have ruled by fiat and fight. Shirley Carr is no stranger to either of those influences.

She is as familiar on the picket line as in Parliament; on the steps of Whitehall or the White House. She is the leader of a congress of labour organizations which represent the welfare of 2.2 million members.

She is the first woman ever elected to represent a national labour organization, and has led it as president for the past four years.

She is up for re-election at the Canadian Labour Congress Convention in Montreal in May. Odds-makers have her at five to one to win. Those who know her have her higher than that. And for good reason. Here is a person who has made Charlotte Whitton's words prophetic, if not charitable. I know the men here today will forgive me. Ottawa's former mayor said, "She must do twice as well as a man to be thought half as good. But it's not too hard to be twice as good as a man." And, while those words were not written about our guest, they seem to fit.

But, lest I paint this tremendous person in the wrong light, let me speak of her other achievements. She is an Officer of the Order of Canada. She has honourary doctorate degrees from four universities. And she is a Fellow of Ryerson Polytechnical Institute. This, in recognition of her outstanding work on behalf of workers in Canada and throughout the world.

Ladies and Gentlemen, it is my great pleasure to introduce a pioneer in the international labour movement, the President of the Canadian Labour Congress, Shirley Carr.

**Shirley Carr:**

Thank you very much. Well, with an introduction like that, one wonders whether they should just sit down and bask in all that glory, but thank you very, very much. And yes, it is true that there's an election time coming, but there seem to be elections coming up all over the place in this country. Some which I might make a comment on and others that I'll just leave alone.

Ladies and gentlemen, I want to say to you that it's a great opportunity for me to be here to address the meeting of The Empire Club. I was asked to sign the register out there and there's a spot there for comments. At first, I stood up and decided I wouldn't put anything there, but then I decided, "No, it's not like me to walk away from some spot I could make a comment on." So, I wrote in there, "At last."

Now, when I was preparing to speak before an audience like this, I was saying to myself, "What will I say?" I could be flippant and say some things that I get chastised for from coast to coast, but then I thought, "No, today maybe I should be a little bit more serious." When preparing to speak before an audience that, shall we say, does not exactly share one's perspective on the world, one has some options. You can either aggressively stake out your position on all the issues that divide, tossing in, of course, the corresponding criticisms, or you can focus on those areas that do or can offer some convergence of views, or you can dodge the dilemma altogether by commenting on those weighty matters that Canadians turn to every day like 'the weather' – and hoping that nobody notices.

Well, I'm not sure how my remarks today will be categorized, but I begin with the assumption that your invitation was based on an expectation of hearing the trade union outlook on some serious concerns of the 1990s and beyond.

First though, and here I hope I'm not accused of pandering, I want to congratulate you. Yes, that's right - congratulate you - and the 'you' to whom I'm referring generically is the business community of Canada. I believe it is undeniable, whether one agrees with the results or not, that over the past 10 or 15 years you have been enormously successfull in getting your socio-economic agenda adopted by governments across this country of ours, especially the federal government, since 1984. And you have accomplished this for the most part more and more visibly, whether through individual corporate entities or through associations such as the BCNI, the CMA or the Chamber of Commerce. Nowhere, ladies and gentlemen, was this better illustrated than during the historic debate over Canada/U.S. Free Trade.

Now, naturally, I commend you with a mixture of envy - you've got more money than we have for one thing - and frustration because I haven't got the money to spend. After all, we've been on opposite sides of many battles. But my credit is not extended tongue in cheek. It really is most sincere to you. Because I believe fundamentally that the democratic process is best served when competing voices are fully open and attributable – when, to borrow a journalism phrase, there are no unnamed sources. The marketplace of ideas where people shop and to which they contribute, must be transparent if it is to have any real meaning in the context of decision-making across Canada. Your increasing willingness, indeed eagerness, to participate in the marketplace is, in my opinion, a welcome contribution to the formulation of informed policies.

Now, turning to issues of a more substantive nature, clearly when examining Canada alone there is no dearth of subjects, many of which are interdependent, each one of which deserves expanded discussion. Just listing some of them conjures up well-known points of debate - tax reform; the Goods and Services Tax and tax fairness; regional and gender inequality; unemployment and the retreat from the goal of full employment; the widening gap between the rich and the poor, between good jobs and bad jobs; the deficit and high interest rates; child care needs; unemployment insurance cutbacks; the impact of Free Trade, deregulation and privatization; the environment and workplace health and safety - you can pick any one of these and you have the ingredients for a point of view, not to mention an argument.

My target, however, is somewhat broader and perhaps more abstract. It is based not only on the cumulative effect of the just-mentioned problems, but also on other aspects of Canadian reality in 1990 - a reality that is far from comforting. It's a reality that includes a number of things - growing evidence of racial and linguistic intolerance in this country, which is totally unacceptable; constitutional impasse which is tearing our country apart; persistent sexism; and obviously regional tensions. In a word, divisiveness - divisiveness due to almost universal conflict due to uniquely Canadian development and due to relatively new features of our community. But divisiveness nonetheless.

Now, in my view, this state of anxiety is routed in large part in a growing sense of insecurity and vulnerability. It's a sense that, in turn, is a reflection of economic instability in the daily lives of many people in this country.

So, in pursuing this theme, I want to juxtapose the phenomenal scope of change taking place within the Soviet Bloc. At first blush, this may appear paradoxical, but it's an extraordinary thing that's happening around the world and particularly there. And since last fall, political and economic changes that have swept across Eastern Europe and the Soviet Union have dominated the world stage. Everything else, ladies and gentlemen, save the marvellous and long-overdue release of Nelson Mandela, has seemed like a sidebar of the "real" news and rightfully so. This is truly a historic moment in our time, in our lifetime. An insatiable thirst for democracy has propelled a people's revolution. It has exposed the tremendous cost in terms of personal liberty that an aggressive degree of state control can exact.

Where this revolution is headed is anyone's guess and for my purposes here, I'm frankly more interested in the West's reaction to events unfolding within its adversary's borders. How are we going to treat this as Canadians or as a nation? And what also disturbs me is the unconcealed smugness in some quarters about the demise of the communist idealogy in practice - a smugness that basically translates into a triumphant refrain 'communism is dead, long live capitalism'. It may sound strange for me to say that, but I think you have to put it into the context of what I'm saying. It's as if the folly of one of this century's most powerful "isms" automatically translates into virtue for the other. I would dispute such a bold conclusion - and let me be very, very clear - I have no difficulty recognizing and accepting private enterprise as a beneficial fact of Western industrial society. What troubles me is the trend, led by the United States, Britain and West Germany, with Canada in lock-step, towards reverence for the market as the sole arbiter of wealth, production and distribution together with the diminution of government's role in that process. It is precisely this trend, ladies and gentlemen that is leaving in its wake much of the insecurity and the vulnerability to which I referred to a few moments ago, insecurity and vulnerability that is hitting individuals, hitting families, hitting communities and indeed entire regions of our nation.

To be sure, there are winners, too. There certainly are winners in this - Canada's richest city, right here. There is abundant evidence of that. But you don't have to search hard to find the other side either, the homelessness, the food banks and children and poverty. The legacy of an unrestrained market has been and will always be the entrenchment of inequality and the spread of a certain kind of social anarchy. To me, these observations are not connected to dogma. Rather they flow from a reasonable interpretation of human experience - an experience that has both an individual or personal dimension and a collective or social dimension. Preserving and strengthening these dual elements of our existence can be achieved only by applying a judicious mix of private freedom and collective well-being. In a phrase, our goal should be a society that bows neither to the state, nor to markets' invisible hand exclusively, but instead to the needs of people. I ask, have we failed to do that in this country?

Now, having offered some generalizations, I'd like to pursue more specifically some of the deficiencies that I perceive as intrinsic to greater and greater market reliance. And let me preface this by saying that I do not intend to harangue, which may be a surprise for some of you. Nor am I seeking agreement from you which, of course, comes as no surprise to you. I'd like to think I'm a realist and you probably will doubt that. My objective is to provoke at least some introspection about the conduct of business affairs and about our social and economic priorities.

Among the flaws of an unfettered market, I would include the following: the inability to generate continuing and regionally balanced prosperity and employment opportunities; the failure to produce a socially acceptable and sustainable distribution of income and wealth; ignoring the adequate supply of essential human services to which all Canadians can have access; undervaluing those things that do not have clear market values attached to them, a prime example being the environment, and finally the tendency to produce unhealthy concentrations of economic, social, and political power.

Is this my critique alone? Is this the mutterings of someone quite blinded to the beauty and simplicity of market forces? Sometimes I wonder that. That's until I read things that I haven't written and I find out, much to my surprise that I'm very intrigued by the recent musings of one Giles Paquet, who some of you undoubtedly know as one of Canada's most respected economists, a leading proponent of the classical school founded upon market theory - was, that is, until a decade ago when he could no longer reconcile textbook analysis with the economic system it helps to perpetuate. Paraphrasing him, Paquet describes a society so rivetted to the operations of the market that it has permitted food banks to flourish, cities to expand needlessly and Canadian companies to be gobbled up by foreign multinationals. He portrays not only a discipline - economics - that counts and calculates rather than feels and cares, but also a society that has adopted particular yardsticks, one of them being competitiveness, one being efficiency and one being acquisition - those three as the exclusive measures of its success. And he illustrates with, first, economists who have failed to incorporate the cost of destroying the environment into their sophisticated computerized models. Another illustration: economists who live in a world of desires and trade-offs, where basic human needs such as food and housing are not taken into account; also, economists who rhapsodize about international competitiveness, while blithely ignoring nationhood, pride and sovereignty; and economists who can tell a society how to increase its productivity, but have little to contribute about a fair distribution of wealth. And the sorry part of this story, ladies and gentlemen, is that if the economists merely confine themselves to some ivory tower, their shortcomings might be innocent enough, but they don't. And consequently, far too many decision-makers end up mouthing the bean-counters' slogans and implementing policy derived from them.

So okay, what's my point and what is the bottom line? Well, what it is *not* is a blanket repudiation of the market economy; *nor* is it an assault on the private sector's central role within a market framework. What it is is a plea for recognizing that the prism of the market is not the only legitimate prism through which to evaluate economic activity and performance. And further, that to hold up the market as an unassailable indicator of social and economic behaviour is to yield to it a preeminence that verges into recklessness.

Quite simply, the weighing of options, whether in the corporate boardrooms or government cabinet rooms, while it cannot ignore market signals, must also be answerable to other objectives - answerable specifically to those objectives that are unmet partially or totally by the functioning of the market.

I am struck and sometimes I'm even awed by the pace of change in our modern world. I am struck and even awed by the rapid transfer of technology by instant communication and information exchange and by the globalization of capital inherent in these developments which is creating a smaller and more interdependent planet. The potential for tremendous progress and emancipation is also there or it could be harmed. These changes can also be the cause of increased levels of alienation, an alienation from a seemingly mindless and heartless machine that can discard individual men and women as quickly and indiscriminately as it embraces them.

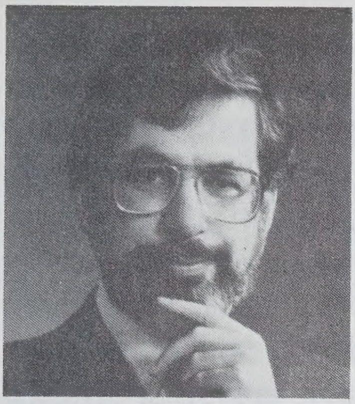
Control, involvement and belonging are crucial to human earning and yearning. To truncate, or worse, to deny them, is to undermine the soul of our existence and to invite a moral wasteland. It is exactly these needs, ladies and gentlemen, that have fuelled the democratization of Eastern Europe. It is exactly these needs that continue to nourish the struggle against apartheid in South Africa and it is exactly these needs that must inevitably be satisfied everywhere, including within the West's relatively free and materially advantaged societies. It is exactly what is needed in this country today. If the Prime Minister were to start speaking out on behalf of this country for a change, you would not see what is happening in this country taking place. Obviously, it's more important for the Prime Minister of Canada to be visible in the international scene than to the people of Canada, and that in itself is a tragedy. It's a mistake to assume that somehow people in power should be immune to people's aspirations for political and economic democracy. It's not safe to assume that anymore. It's not safe to assume in this country that we have political democracy when the very fabric of this nation is now at stake, when the very sovereignty of this nation is at stake, and it's not safe to assume across this country with a massive question of unemployment and insecurity that we do, in fact, have liberties and that we do, in fact, have equality. When people are disenfranchised from the economic mainstream, when they feel helpless and disconnected from the sources of their loss, they are doubly penalized. First, they are cut off from a fair share of society's production and second, they are left angry at the unseen market vagaries that contribute to their predicament.

So, I am left to conclude that our challenge - and I hope it is a shared challenge by all of us in this room - is to use all the tools at our disposal, public or private, to ensure that change is compatible with our social fabric, to ensure inclusiveness and to ensure balance between and respect for both our individual and collective welfare.

I happen to be involved in international affairs as the President of the Canadian Labour Congress and as Chairperson of the Commonwealth Trade Union Movement and I would like to say to the business community in this room that if you don't come alive as far as the European community is concerned in the opening up that's taking place and if we do not as Canadians help those countries to develop into the democracies that we need and we want and we've asked them to do, then Canada will take a back seat again. This is a vibrant country, rich in resources and rich in education and rich in qualifications and rich with ideas and rich with knowledge and rich with money in some spots. I know what we in the Labour Movement are going to be doing. We don't have money to help them in the investing side, but we sure do have money to help them at the grass roots level and we're going to be sending teams across the countries that are now opening up. I will head a delegation to go to Poland and to Czechoslovakia, to Rumania, yes and into the Soviet Bloc and into West Germany to see what we can do union to union and people to people to help them become democratic. And I say to the business community, you have to do the same thing. You have to send your teams in there to help them arrange or rebuild or to build new industries and new plants and show them how to manage them in a democratic way with the right to have a union, a democratic union. Because if we take a back seat to all of this, you will have lost a great opportunity and yes, you can make profits there as you should.

And then there's South Africa. I'm going into Namibia on Sunday where we are helping them to restore themselves into a democratic process. We are the grass roots. We can do those things. And there is the same commitment also from the democratic unions around the world to help South Africa build and rebuild with the infrastructure that is there. But my friends, those of you that have what is "power", you have to be there too, because if there was ever a time when we can help rebuild nations and be proud of it as Canadians have always been, this is the time. Don't say, "Let's wait for a little while - we don't trust". Don't be too conservative. You'll be left out. Have a good day and thanks a lot.

The appreciation of the meeting was expressed by Alex Squires, Vice President, RBC Dominion Securities Inc. and a Director of The Empire Club of Canada.



March 22, 1990

# Harry Arthurs

President, York University

# THE IVORY TOWER AND THE BOARDROOM: THE UNIVERSITY AS AN ORGANIZATIONAL LABORATORY

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Chairman: **Sarah Band**
President

**Introduction:**

Honoured Guests, Head Table guests, Members of The Empire Club, ladies and gentlemen.

Officer of the Order Of Canada, graduate of the Universities of Toronto and Harvard, Member of the Bar of Ontario, honourary doctorates from Sherbrooke and Brock Universities and the Law Society of Upper Canada - Harry Arthurs has so many honours and awards it seems irreverent to call him "Harry".

But, where the law once was, it is no longer his career. He is now the President of one of Canada's fine universities. So the books he has written about the law, his monographs and case books can sit aside while he pursues excellence in another field.

His change in careers brings to mind the comment made by a former Lord Chancellor of Great Britain. "I really went to the Bar", he said, because I thought it would be easier to go to the **stage** after failing at the **Bar,** than to go to the **Bar** after failing on the **stage.**

His Lordship's motives aside, Harry Arthur's change, I'm sure, was inspired by thoughts of success. He has been a professor of law at Osgoode

Law School for more than 20 years, and was Dean of the School for five years. When he left Osgoode, he was Administrative Law Professor. He has been a leader on the path of excellence through teaching and administration. It has been recognized and rewarded by his country and his peers.

Ladies and gentlemen, it is my pleasure to introduce a man whose reputation as an educator and administrator is honoured and respected throughout Canada, the President of York University, Harry W. Arthurs.

**Harry W. Arthurs:**

I am not sure who is here today, as members or guests of the Empire Club. Some of you are lawyers, members of my own profession. Some of you work for the government, as I do in a sense. But most of you, I suspect, are involved in the corporate world, so I am going to tell you a corporate story.

Once upon a time there was a corporation. It had 7000 employees, and an annual turnover of $250 million. It operated in largely local markets, but also in over a dozen foreign countries. It had extensive R and D activities, but its main business was consumer sales and service. In just 10 years, that corporation:

- achieved a productivity increase of 40 percent
- managed to meet its bottom line each year, in a very tough financial environment
- repositioned itself by moving upmarket at the same time as it diversified
- made major capital investments - worth about $150 million without generating any long-term debt load.

That little corporation accomplished a lot, ladies and gentlemen, but no one seemed to care. No awards. No stories in Financial Post. Not a single takeover bid.

I can see a great many people out there reaching for their portable phones, dialing their brokers. One or two of you, I can tell just by looking, are thinking about a leveraged buyout. Well, put down the phones; cancel the faxes. York University is not for sale. Neither are all the other universities with comparable achievements to their credit. Nor, if we were for sale, would I particularly recommend us as a good buy just now. It hasn't all been roses this past decade, and things look worse in the next one.

Government funding has remained the same in constant dollars while enrolment has gone up 40 percent. We have made our productivity gains, alas, by teaching more students at a lower unit cost, with larger classes, and more part-time instructors. We are trying to inspire students with great ideas in classrooms we can't afford to clean, and with the fire marshall hovering outside the door to make sure we don't cram in too many people. We are trying to do more and better research with less support staff, in outmoded laboratories and depleted libraries.

None of this has been good for our students, for the cause of research or for our employees. But, somehow or other, we do stagger along, and we do manage to get the job done quite decently. I know that there will be a day of reckoning, but like every university president, I dwell in the hope that I will be gone from office by the time that day arrives.

My real purpose in giving you this brief account of how universities have succeeded despite adversity is not to appeal for your support - although that is certainly needed. Rather, I want to persuade you that our experience may reveal something about the future of the business corporation. We hear a lot in universities about us having to become more business-like. I would like you to consider for a few moments whether, in fact, business should become, and will become, more university-like. Let me give you some examples.

Management experts these days urge us to pare down the organization. Just the other day, I heard a very successful CEO say that his organization had reduced eight layers of management to five. In my university, there are only two or three levels of management between the CEO and the professorial shop floor. We have had to learn a lot about techniques of leadership in a nonhierarchical and highly decentralized organization, let me tell you, and it may be that we can share some of that knowledge with you.

The current wisdom in the private sector is that we can improve product innovation and customer satisfaction by setting up specialized units, small groups of good people mandated to “go for it”. I have heard these referred to as skunk works, boutiques and other equally odiferous names.

Well, that is the normal way university departments function: the professors produce the leading edge thinking in their field, and develop strategies to convey it to their customers, the students. If they are missing a key player, they have the right to recruit one, either from within the university or from elsewhere. If they can’t afford to recruit, someone on the team gets up to speed, and fills the role. And yes, some university departments are boutiques - and some are skunk works.

At a conference a couple of weeks ago, I was listening to a well-known consultant - one of those people who is virtually incapable of speech unless he has his own graphics. He flashed up on the screen the word “empowerment”. “Empowerment”, he said, “is the way of the future”. Employees must feel that they are part of the process, that they are making decisions and taking responsibility for those decisions, and that their contribution is both necessary and appreciated. That, he said, is what unleashes their energy and gains their commitment.

Well, our professors know all about empowerment. They hire, evaluate and promote their own colleagues. They determine the “product line”, the curriculum and the research agenda. They may not actually select the foreman, the manager or the CEO, but they certainly have an important voice, almost amounting to a veto. Deans and presidents, boards and senates may enjoy formal control, may give broad direction to a university, may in a tough situation wield the power of the purse. But our professors know all about empowerment.

Finally, to take one more example, we are told that Canada’s future in an increasingly competitive world depends on our ability to move from primary industries to knowledge-based, high valued-added industries. Universities are the quintessential knowledge-based industry. They both consume knowledge and produce it. They add value, we would argue inestimable value, to the life of our students, not just by giving them professional training and marketable credentials, but by equipping them with the critical skills which make them indispensable to private and public sector employers. If you don't believe me, just compare the incomes or unemployment rates of people with and without university educations.

I suppose a sceptic might say that while universities are like corporations in some ways, they are quite different in others. Of all those differences, none is more important than the discipline of the bottom line. Universities do not have to make a profit, the sceptic would argue; they are subsidized by the state; they are helped by the generosity of their friends and alumni; and they are insulated from the judgments of student-consumers by the fact that they are an oligopoly, whose members sell the same product at the same price. That is a tough argument. Let me try to meet it head on.

In the first place, we do have a bottom line. Our bottom line is breaking even, not going into deficit. If we run into trouble in one year, we have to pay off our debts and still break even over the next short period of time. Like any business, we cannot afford to spend more than our income, or to carry a heavy debt load. We do not get bailed out by government if we run into the red. We are not able to persuade donors that they should pay off our mortgage, rather than fund something more glamorous.

In some ways, in fact, it is even harder for us to meet the bottom line than for businesses to do so. Businesses can cut costs or raise prices or improve sales or all three. We can do none of the above. Let me first observe that we face many of the same problems in cost cutting as you do. We shop for a significant proportion of our goods and services in international markets - books, scientific equipment and professors, to name but a few; we get a break when the dollar is up, but we hurt when it goes down. We have a cash float, a huge construction program, and a modest endowment; we are hurt or helped by interest rate fluctuations, just like any business.

Our employees are very well informed about their rights:

we bargain with unions, deal with Health and Safety committees, and respond to complaints under the Human Rights Code. We greet municipal, provincial and federal regulators as they travel their appointed rounds. We worry about the environment, traffic and sewers, live and defunct animals, drug and alcohol abuse, physical security and fraud, patents and copyright, and nasty things that people say about us in the newspapers. We have to meet the cost of UIC and CPP and Workers' Compensation, of Pay Equity and Employer Health Tax, and of many other worthy but expensive contributions mandated by law. We try to get exemptions where appropriate, but often, as residents of the quasi-public sector, we are the first to feel the effects of new imposts as government uses itself and us as an object lesson for industry.

Eighty percent of our budget is tied up in labour costs. Over half of that - over 40 percent - is committed to tenured faculty. We cannot cut their numbers: we already have too few. We cannot cut their salaries: studies show that we already pay less than either the private or public sector for people of comparable ability. We cannot do much more to improve their productivity: if they teach more, they do less research and vice versa; and if they teach bigger classes, beyond a certain point, they teach less effectively. Nor can we cut our non-academic labour costs. We are already so short-staffed that we run the risk of not being able to type our manuscripts, maintain our buildings, or provide necessary technical support for research. All that is left to cut on the expenditure side is the fuel bill and the president's expense account. Need more be said?

What about the income side? Not very promising. Government grants represent 70 percent of our income. I spend most of my waking hours trying to get larger grants, but the grants are both largely formulaic and totally inadequate. Student fees represent about 20 percent. The fees are regulated by the province and like any other regulated industry, we cannot force our customers to pay more. Our only hope is to focus on the remaining 10 percent of income, and try to make it grow.

That 10 percent comes from a variety of sources. It includes research grants and contracts. Universities seek these with a passion. Unfortunately, neither government nor the private sector seems willing or able to match fine words about R and D with financial commitments. Moreover, there is some evidence that research grants and contracts - however crucial to our intellectual progress, however welcome as a mark of prestige - in the end cost us more than they bring in.

Gifts, donations and endowments represent only about 2 percent of our operating income. It should be a much larger share, as it is in many American universities. We strive mightily: we are becoming more professional in our fundraising, cultivating our alumni and wooing the corporate sector; and we do generate more money. But we are competing head on with hospitals, cultural institutions and other charities, and we have a long way to go. And so, parenthetically, does the corporate sector, when it comes to supporting higher education and research.

Which, essentially, leaves our "business operations". Here universities must literally make their bottom line. We run parking lots, restaurants, shops, apartments, residences, technology transfer firms and land development companies - all designed to make as much money as we can, consistent with our basic function of serving our students and the community. But therein lies the rub: we are a quasi-public institution; our mission is to serve. If we sold all our lands, and had nothing left over for green space or future expansion, we would be criticized severely and justly. If we forced all our scientists to work on practical applications, and steered them away from long-term basic research, we could probably make some money for a few years. But after a few years, we would have no more first-rate scientists, and a few years after that, practical and applied work would grind to a halt because it was not being fueled by innovative basic science.

Nonetheless, we have made some very impressive gains in this general area of business operations. York, to cite my own university, has managed to float its $150 million construction program largely on the initial earnings of our Development Corporation. Waterloo has made a great success of technology transfer. And other universities have sold consulting services, computer facilities and patent rights. However, entrepreneurship does involve downside risks, and these are very difficult for us to accept, given our already inadequate academic budgets. So, we live with our own special version of a bottom line, and we have been forced to develop managerial competence. At its best, it is every bit as good as what you would find in the private sector. And at its worst, I would acknowledge, it is as bad as that in any mismanaged enterprise.

Let me now return to my original suggestion, at which I will nod en route to my conclusion. In many ways, universities can be viewed as organizational laboratories. We have been conducting experiments in the management of large enterprises, in knowledge-based industries, in conditions which are not identical to those in the real world, but which simulate them closely. We think that our experiments have worked fairly well. I began by setting out our results over the past 10 years or so. Let me now give a little historical perspective to those results.

The Hudson's Bay Company managed to survive for some 300 years, our longest surviving commercial firm, and perhaps the most durable in the world - but a parvenu beside the University of Bologna, which was founded in 1088. York, in university circles, is a mere babe in arms. We are celebrating our 30th anniversary this year. When we were born, Massey Ferguson and A.V.Roe, Cunard Lines and the Kaiser Motor Car Company were names to be reckoned with. Where are they now? We were part of a 60's generation of universities, not one of which - to my knowledge - has fallen by the wayside. Can the same be said of all of the companies that were born with such promise at the same time?

Is it just that the state shelters us from the winds of change that brought down the high fliers and toppled the corporate giants? No, I would argue. We have confronted enormous challenges, fully comparable to those facing major business corporations. We have met those challenges with management structures that may seem to outsiders bizarre and unworkable. We have met them with organizations that are decentralized and occasionally fractious. We have met them in an often hostile external environment. But here we are: educating more students, doing more and better research, and kept from doing more and better yet only by constraints which you alone - the taxpayers and voters, our alumni and our donors - can remove.

So I conclude by venturing a thought or two about how all this has happened, and what it is that has enabled us to survive and to move forward. Universities, first and foremost, are places where people believe deeply in what they are doing. I do not mean that they necessarily like their job every hour of every day: obviously, they encounter moments of deep disillusion and even despair. But we are believers; we have faith in the fundamental importance of our work to the enlightenment, even to the survival, of the human race.

Second, we are not only believers, but we are **sceptics.** (This is what passes for paradox in academic circles.) We are always questioning, doubting, interpreting, being disrespectful of each other and of the received wisdom. This does not make the life of a CEO any easier, but it does help to ensure the survival of the institution. More truly than any high- tech corporation, or any whiz-bang consultancy, we are committed to change, and we are the agents of change.

Finally, we are a true community. People immerse themselves in a university's culture, far more than in any corporate culture, at least in North America. We have ceremonials and traditions, structures and routines, symbols and defined roles which make that culture part of our daily lives. The culture changes, sometimes too slowly to accommodate the demands of technology or government or the economy. But its very continuity is necessary to foster the sense that we are involved together in a long-term mission.

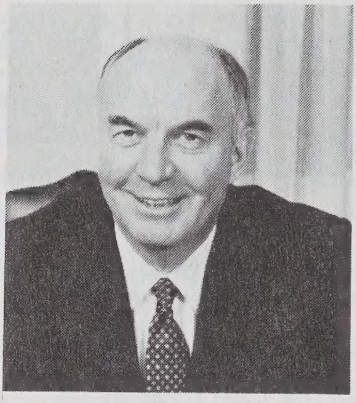
Faculty members spend 30 years or more, some of them, in the service of a single university. Support and technical staff are similarly devoted, even without tenure. And while students obviously come and go, and bring their own contemporary style and values, they are very receptive to what the university stands for: in fact, they are at their most annoying when they remind us that we do not practise what we preach. They too, at heart, are believers; they are sceptics; and they are members of our community.

And what of that word "community"? Like "culture", it is a word that is much abused in management jargon. People belong to a community, they participate in its affairs, they have the right to shape its direction and destiny, and they subject themselves to its expectations and routines. As a community, the university probably does not meet its own high ideals. But we do come a lot closer to being a true community than most other institutions in our society, and certainly a lot closer than most business corporations.

The passionate involvement we get from members of the university community, most businesses could not buy from their employees - and probably would not want. The faculty's sense of "owning" the university, which so complicates efficient management, is at the same time a manifestation of their loyalty and commitment. The faculty's right to participate makes crisp decisions impossible and gives rise to terrible timewasting committees - but it is what able people expect in exchange for contributing their talents at a price well below market rates. The cynicism and fractiousness which so startle and alienate outside observers are the inescapable negative side of the one indispensable quality of all knowledge workers: their free-ranging intelligence.

There you have our assets: worker empowerment, decentralized decision-making, commitment to the values of the organization, constant questioning and change, and a strong community and culture. And each of these assets, as I have tried to say, is paradoxically also a liability. These assets and liabilities, and the paradoxes they embody, are not unique to universities. They are already familiar to governments and law firms. They will be increasingly visible to corporate managers in the 90's and beyond. What I have been doing, then, in telling you about our present, is to reminisce with you about your own future. Thank you for your attention.

The appreciation of the meeting was expressed by Douglas Todgham, Director of Development, Art Gallery of Ontario and a Director of The Empire Club of Canada.



March 29 1990

# The Hon. Donald MacDonald

High Commissioner for Canada to
the United Kingdom

# THE OUTLOOK FOR CANADA AND EUROPE IN THE 1990's

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Chairman: **Sarah Band**
President

**Introduction:**

Honoured Guests, Head Table guests, members of The Empire Club, ladies and gentlemen.

We are honoured today to have as our guest one of Canada's outstanding political leaders. A man who has given all but 10 years of his professional career to the service of his country, first as a member of Parliament and, for the past two years, as our country's High Commissioner to Great Britain and Northern Ireland - one of the two most prestigious postings in our foreign service.

When he was in government, he served as Minister in charge of National Defence, Energy, Mines and Resources and Finance. He is seen to be the architect for major changes in all three departments; in Defence for the introduction of major defence policies; in Energy, Mines and Resources for Canada's response to the world energy crisis; and in Finance, for the program which fought inflation.

His present appointment has him involved in Canada's external relations. Clifford Sifton once said, "..External Relations - enveloped in what might be called a highly luminous but cloudy halo". Cloudy it may have been when Mr. Sifton wrote. Exciting and thrilling might better describe the action today. When in our history have we seen such upheaval without war or insurrection, such dramatic and emotional change, not just in one country, but throughout a continent? The High Commissioner has a ringside seat to the unfolding of history.

Looking though his curriculum vitae gives little insight into the perspective Donald MacDonald can have on these tumultuous events, until one remembers that he served in the Parliament of Canada for 16 years in one of the great parties in our land, then was appointed High Commissioner by the other. With that background perhaps he is better prepared than most to understand political contradiction. Ladies and gentlemen, it is my great pleasure to introduce His Excellency, the Honourable Donald S. MacDonald, Canada's High Commissioner to Great Britain and Northern Ireland.

**Donald S. MacDonald:**

Had I been speaking in this forum only a year ago, my text would have been an economic one. At that time the major issue facing Western Europe, and of concern to me as your representative in London, was the process by which the 12 countries of the European Economic Community were integrating into a single market, and what that would mean for Canada. The process of European integration still remains an important evolution and one on which Canadians should be focusing their attention. But it has been overtaken both in public attention and in significance by the dramatic developments which have occurred in Eastern Europe and within the Soviet Union over the past 12 months.

During the last year we have lived through one of the most remarkable and far-reaching sets of events of the past 45 years. We have witnessed the dismantling of Marxist government in Eastern Europe, and the reversal of the Leninist Revolution in the Soviet Union after 70 years. Change has not been confined to Eastern Europe. Twenty-four years after the World Court declared that Southwest Africa should have its freedom from South Africa, that has become a reality and the new independent state of Namibia has taken its place on the world scene. That event has been closely followed by what appears to be an important change of direction in South Africa itself with the promise of negotiations that will bring about the end of apartheid and the evolution of South Africa to a democratic state.

Today, however, I want to talk about Eastern Europe and the changes in Soviet policy. I want to talk about the effect of those changes on the other countries of Europe and the institutions that exist for governing relations of the European countries to each other. Based on those reflections I would like to talk about the significance of the changes for Canada. One prominent writer has referred to the changes in Eastern Europe as the "Springtime of Nations". What does this Springtime foretell for European security?

Firstly, it means that the newly sovereign nations of Eastern Europe will follow their own courses in national policy rather than be under the domination of the Soviet Union. They will no longer organize their economies under the central direction of a Marxist government but in response to the ebb and flow of markets. It will mean that national policies will be determined by democratically-elected governments chosen from among competing political parties, rather than through governments in which the Communist Party has had a monopoly.

Secondly, it means that the Soviet armed forces, which have been stationed in Poland and Hungary, Czechoslovakia and East Germany since World War II, ostensibly to respond to a military challenge from the West, but capable of resisting political change in each of those countries, will be withdrawn.

The withdrawal of Soviet forces and the end of the domination of the Soviet Communist Party are direct results of the decision of President Gorbachev to end the Soviet hegemony in Eastern Europe. His decisions to restructure the political system, and the economy, have won political acceptance within the Soviet Union. The combination of those actions means that one of the long-standing concerns of the West, namely of a Soviet land attack through Central Europe, has now become unlikely. While the Soviet Union does remain a very great power with global reach, through its missiles, its navy and its air force, it has a much reduced capacity to carry out land warfare in Europe. And its intention to do so is more questioned now. What then is to become of the very large Armed Forces on both sides: forces under NATO control in the West - or under Soviet command in the Soviet Union, which have faced each other across the Iron Curtain for the past four decades? Their reduction, under a formal agreement, which will also assure that the terms of the agreement will be respected by both sides, is now the task of the disarmament negotiation known as CFE, or Conventional Forces in Europe Negotiation. There are a number of disarmament negotiations underway, in different cities, and dealing with different subjects, and the non-specialist has every reason for being confused about them. The CFE relates to the size and equipment of the non-nuclear forces in Europe, the forces of which the Canadian contingent is a component.

NATO and Warsaw Pact countries are now working actively to complete negotiations with the goal that it be signed about the time the Conference on Security and Cooperation in Europe, known as the CSCE, holds a Summit Meeting late this year. Diplomats are talking about a CFE II and CFE III to follow, directed at further reducing the militarization of Europe.

The one thing that could be said about the Cold War is that through the two military alliances facing each other, NATO in the West, and the Warsaw Pact in the East, stability and predictability were at least assured. Both sides, and others in Europe and North America, knew the institutions that were in place and how they were intended to be used. The dramatic changes have taken away that predictability. A fundamental question now is by what kind of future arrangements will the threat of war in Europe be eliminated? None of the institutions seem appropriate to give on-going assurance on these questions of war and peace. The Conference on Security and Cooperation in Europe, which has been at work in Vienna for some years, includes all of the appropriate players: the 16 nations of NATO, including the two North American countries, the Soviet Union and its Warsaw Pact allies and the neutral states of Nordic and Central Europe. But many observers see this very diversity as preventing the CSCE from taking effective action on a continuing basis just as it was not possible for the League of Nations to take effective action between the Wars. Some member states of the twelve-nation European Economic Community, acting through their foreign ministers, have recently been debating future arrangements to assure peace in Europe. While many of the NATO allies are also members of the European Economic Community, two important ones missing are the North Americans, the United States and Canada.

What of the role of the four wartime powers: Britain, France, the United States and the Soviet Union? It will be recalled that at the end of World War II a defeated Germany was governed by those four countries, and that some residual responsibilities rest with them, even though, 40 years on, a confident and successful Germany has become even greater than some of the so-called Great Powers. The Four-Power meeting has found new life through its role with Germany in the so-called Two-plus-Four discussions. The principal thing to be said about the Four Power Role is that it is irrelevant. This is 1990, not 1945, and a lot of other countries than those four have the right to be consulted on future security relations in Europe. I think particularly of Germany's neighbours and partners in NATO, and of course, of Canada, which has fulfilled a forty-year commitment to peace and security in Europe.

There are many institutions on the scene, but none of them is well-adapted to meet the new political reality in Europe. The organization that *has* been successful in coordinating the defence policies of Western Europe and North America is NATO. Obviously NATO does not comprise the USSR nor Eastern Europe, but for the moment it is the most effective forum in which those who have made a commitment to the defence of the West may meet and agree upon their coordinated approach to the evolution of Europe. The nations of Eastern Europe may not yet agree as to how to use their new-found freedom from Soviet domination to participate in the new Europe. The Soviet Union, with a full agenda of internal re-structuring to consider, may not yet be determined on how to relate to its European neighbour. Dissolution of the Warsaw Pact is no reason to dissolve NATO, provided NATO can evolve from being a military dialogue to one in which political questions will be of the first order.

What do all these changes in Europe mean for Canada? The defence and security balance in Europe has been of important significance for Canada for most of this century. The naval debates of 1910 and 1911 on whether Canada should give direct support to the British Navy, that bedevilled both Sir Wilfrid Laurier and Sir Robert Borden, were about European security. Obviously the Wars of 1914 and 1939, to which Canada made such an important contribution in both people and things, were about European Security. Canadian membership in NATO in 1949, and the Canadian air and military commitments to the European mainland which have been in place since 1951, were also about security in Europe. Canada has paid a heavy cost over the past 80 years because of the quarrels of the Europeans. The question which Canadians are going to have to address is whether continued participation in efforts to prevent future conflicts from breaking out should be our concern.

While this is a conclusion that should be debated in Canada, I think we do have a continuing interest in the prosperity and stability of Europe. If in 1914 and in 1939 it was impossible for Canada to avoid involvement in international conflicts, that is even truer of our time. If it is inevitable that we be drawn in, we should be in at the beginning when it's possible to avoid strife by negotiation. To adapt the phase of Mr. Pearson at the time of negotiating NATO, "The decisions which affect all should be taken by all."

As I have already mentioned, some of the groups that are now addressing the issues of security in Europe, the European Economic Community, or the so-called "Big Four", are institutions of which we are not members and in which we have no role. We should not let those institutions determine policy for us in Europe. Canadians were active participants in the creation of NATO. It was at Canadian insistence that Article II was included in the North Atlantic Treaty, so that the goals of the Alliance were not merely to be military ones, but were extended to political and economic cooperation. It is now the time for the foresightedness of those Canadian diplomats to be employed by the Alliance as a whole and for the benefit of a wider community in Europe. Until the fruits of disarmament negotiations are realized, the military countenance of NATO will be predominant. But as more peaceful resolution of disputes within the continent replaces military confrontation, NATO can become a central forum for addressing the mutual concerns of the North Atlantic community.

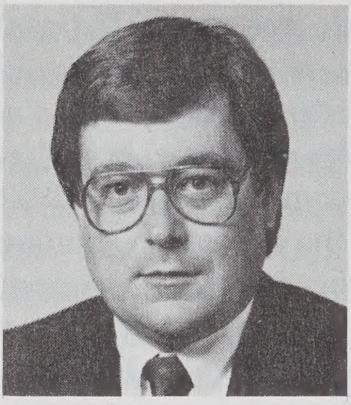
NATO will not be acting in this role alone. Overlapping responsibilities lie with the European Economic Community, the Council of Europe, the Organization for Economic Cooperation and Development, and the Western European Union. We cannot claim a monopoly for NATO in this area, but we should not be prepared to cede a monopoly to any of the others as well. Canada has important foreign policy objectives in other parts of the world. In the North Pacific, Canada shares important mutual defence concerns with the United States and Japan. Around the Pacific Basin and with Asian nations, Canada has growing economic concerns and growing needs to build diplomatic relationships. Relationships with our other North American partner, Mexico, are increasing, and our involvement with other members of the Western Hemisphere has become more intense through our full membership in the organization of American States. Involvement with those other regions does not carry as its corollary disengagement in Europe.

Europe is about to become the largest market, with the prospect of even further growth as Eastern Europe and the Soviet Union build more open relations with the European Community. Adjustment to a new political environment will also bring political tensions to Eastern Europe in which Canada can, with our allies, play an important moderating role.

The termination of confrontation between East and West in

Europe is not going to leave a trouble-free world. National antagonisms, economic disadvantage, regional rivalries, all threaten the peace in other parts of the world. One of the other things we have learned over the past year, in Afghanistan, in Namibia, is that we have in common with the USSR and its Eastern European neighbours the peaceful resolution of disputes wherever they may occur. Active involvement with the European states, East and West, can continue our role of seeking to achieve the values of the United Nations Charter throughout the world.

The appreciation of the meeting was expressed by Nona Macdonald, Director of the Canadian Stage Company and a Past President of The Empire Club of Canada.



April 5, 1990

# Paul Beeston

President, Toronto Blue Jays

# SPORTS IS A BUSINESS

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Chairman: **Sarah Band**
President

**Introduction:**

Honoured Guests, Head Table guests, members of The Empire Club, ladies and gentlemen.

Baseball, for whatever reason, has seemed always to have more than its share of contradictions. It has teams rehiring managers as many as seven times. And that means firing them almost as often. Can anyone imagine that on Bay Street? It has its miracles of speech, or levitation, ". . . He *flied* out to center field." And its compendium of logic "It ain't over 'til it's over," or, - if you wish to be more graphic, ". . . until the fat lady sings."

It's a sport where some men called, ". . the boys of summer", are paid more than a million dollars a year to play a game invented in Canada, called "the great American pastime".

The question arises, Mr. Beeston, what is a Fellow of the Institute of Chartered Accountants doing in a place like this? What is a native of Welland doing as a member of the American Baseball League Expansion Committee? How does an economics and political science graduate of the University of Western Ontario become the first-ever employee of a major league baseball club?

Without chiding you further I'll repeat your quotation about baseball, ". . . at one time being more sport than business; but now, being more business than sport." But I retain the right to remember the more colourful quotations.

Few teams in baseball have had a more *inauspicious* start than the Toronto Blue Jays. A blinding snow storm, and a home run by a *Canadian* for starters. The good news is that all players came in from the storm safely, and the Blue Jays won. Today the team is a respected contender for the divisional title, and people, even Americans, don't snicker when they hear the expression, "A Canadian World Series."

The Blue Jays deserve all the plaudits, cheers and rewards they get. But no more than the management which has made the team and brought Canada west of Montreal, out of its collective chairs cheering for a team from Toronto. As President and Chief Executive Officer, Mr. Beeston, accept our congratulations and our welcome to The Empire Club of Canada.

**Paul Beeston:**

Thank you very much for the invitation to address your luncheon this afternoon. Your President, Sarah Band, advises me that it was 13 years ago when Peter Bavasi, the first President of the Blue Jays, addressed the Empire Club. Back in 1977 when Peter spoke to you:

- We were a team with a lot of heart, little talent and mediocre results.
- We were a team playing in Exhibition Stadium, perhaps the worst facility in baseball - if not in sports.
- We were a team trying to create a niche in the Toronto sports scene against two well-established institutions - The Toronto Argonauts and The Toronto Maple Leafs.
- We were a team with salaries of $830,000 for the entire 25 man roster, or an average of $33,200 per player.

Well, I think it is fair to say that over the past 13 years we made some dramatic moves to improve our position and fulfil some of our early goals.

- Through the efforts of Pat Gillick and the player development side of our organization, we have provided to the City of Toronto one of the best teams in major league baseball - in fact the only team that has played over .500 baseball in each of the last seven seasons.
- Through the combined efforts and leadership of people such as former Premier Davis, Premier Peterson, Martin Connell, Trevor Eyton, Chuck Magwood, Richard Peddie

and a host of others we have constructed the finest multi-purpose sports facility in the world - a stadium which we are very proud to call home.

- Through the support manifested by an average of 48,000 fans attending the games at the Skydome last year, I believe we confirmed our position along with the Argonauts and Maple Leafs on the Toronto sports scene.
- And through good agents, good television contracts, good attendance, great performances and a tremendous growth in the popularity of baseball, we now have 10 players individually making in excess of our total 1977 salaries of $830,000 - with no end in sight.

It has been an exciting 13 years.

- We thought 1985 was to be our year when we fought the Yankees in a great pennant race and then lost to Kansas City in seven games in the American League playoffs.
- We thought 1987 was to be our year when we battled the Tigers before losing on the final day of the season in what many called at the time the best pennant race of the past 10 years - (seven one-run games against the Tigers over the last 10 days of the season.)
- We thought 1989 was to be our year when we climbed uphill all year to nose out the Orioles on the second last day of the season and then lost to Oakland in 5 games.
- In spite of these apparent successes, I can assure you that there is no one in our entire organization that will be satisfied until we reach the ultimate goal - of not only reaching the World Series - but in fact winning it.

Hopefully 1990 will be that year - although I do note that we seem to enjoy more success in the odd numbered years than we do in the even numbered years.

In assessing what I might speak of today there were many things that come to mind. For example -

- Do we talk strictly baseball - i.e. who will DH; what will the starting pitching staff be; who is the fourth outfielder - what trades are in the works - essentially, playing related matters?

or

- Do we address the recent lockout?

or

- Do we address the recent television contracts that have been signed - not only in baseball - but in all sports.

or

- Do we address the recent player contracts that have been negotiated, signed - and well publicized.

or

- Do we discuss the effect of Meech Lake Accord on the future of baseball.

Well, after consideration, I thought I would like to take another approach. Specifically to attempt to bring a sense of reason to what has lately been seen as a greedy army of players fighting with a greedy group of owners over who can get the largest piece of a perceived ever-expanding bottom line.

Sport is a business. Make no mistake about that. At one time I believed it was more of a sport than a business but I believe now, because of the magnitude of dollars involved, that it is more business than it is sport. Having said that, however, I can tell you that I love my job, every day is a Saturday as far as I am concerned, and that the excitement attached to being involved in professional sports is rarely found in other vocations. So while it is a business, nevertheless baseball and professional sports retains enough of the attributes that allows each of us involved to play out or be associated with our fantasies.

I want to tell you a story that provided me with a clear illustration of the change from sport to business. One of the first people that I met when I entered professional baseball back in 1976 was Tommy Lasorda. I saw Tommy at the World Series in Minnesota in 1986. I must tell you that Tommy Lasorda is a never-ending fountain of baseball tales, but this time he told the story of the time he had lunch with President Reagan. After lunch Tommy was taken to the press gallery. The first question asked of Lasorda was what he and the President had discussed at lunch. Tommy, never short of wit, replied they discussed economics. When questioned further as to what Lasorda knew about economics, he told them the story of the gentleman who had gone into the Chairman's office of the Chase Manhattan Bank and asked to borrow $1,500. He was summarily dismissed, and told that, as Chairman, he was not in the habit of making $1,500 loans and that he should go down to the first floor and ask for a loan officer.

The gentleman went to the first floor, asked for a loan officer, was promptly shown into an office, asked for $1,500 for a week and was told he could have it if he had sufficient security. The man said he had a Mercedes out front, gave the officer the ownership and the keys and was given $1,500. Now, one week later he returned and gave the loan officer the $1,500 back. The loan officer said that he had done a credit check of this individual and that he had come up as one of the five richest men in New York City. His only question was why he wanted to borrow the money. The gentleman asked how much he owed. In being advised that it was $1,500 plus $6.00 interest, the gentleman turned to the loan officer and said - "Where else can you park your car in New York for a week for $6.00".

Now I realize this has nothing to do with baseball, but when you cannot trust Tommy Lasorda for a baseball story - you know the game is changed.

I suppose the most recent example of sports slipping into a business mode was the closing of the Spring Training camps on February 15 of this year for a period of 32 days. I do not intend to get into the relevant merits of each side's position, but I will say that I do not believe there was either a winner or loser when the final agreement was struck. When all was said and done the result was a fair agreement that ended the dispute and returned the game to the fans - the life-blood of baseball.

From my observation the lockout achieved what it set out to do. Specifically, it was designed to produce an agreement prior to the start of the season - and thereby avoid the player strikes that we endured in 1981 and 1985. So from that point of view, it was successful.

However, the lockout did not come without creating a certain amount of ill-will and consternation. The fans did not really know who to point the finger at as the bad guys in this scenario - the players or the owners. All they wanted was for both sides to come together, forget their differences and play ball. If anything, it appeared to me that the public saw it as two evils fighting each other at the expense of the fan.

Our club strongly supported the player relations committee, the negotiating arm of Major League owners. This was done in no way to harm the fans, or to redress the players, but was a position taken after considerable thought, because we believed that it was imperative to obtain an agreement before the commencement of the season. Simply put, the logic behind the lockout position made good business sense.

Let me give you a small history of our organization. The Toronto Blue Jays Baseball Club is a partnership composed of Mr. R. Howard Webster, Labatt Brewing Company Limited and the Canadian Imperial Bank of Commerce. When they came together to form the Toronto Blue Jays, it was their stated position to bring a competitive team to the City of Toronto on an on-going basis. It was not their goal to look upon the Club as a profit centre - but quite correctly - nor did they look upon it to lose money. While we played at Exhibition Stadium we struggled financially. But never once did the owners of this Club deny management the resources to put together the personnel necessary to put a competitive team on the field, or to treat its players fairly. Nor did they deny management the resources necessary to scout the best players, sign them and develop them to major league calibre ball players.

While we haven't won the big one, that day is not far away and it is a credit to Pat Gillick, Gord Ash and their scouting and development staff. But it is also a credit to the owners of this ball club, who not only bought Pat's philosophy back in 1977, but pushed him and provided him with the resources that were necessary to put together a system that would ensure the competitive balance of this Club for the foreseeable future.

But why do I say this and of what significance is this to the recent lockout? I believe that, as the owners were not the force of evil in the recent negotiations, neither were the players. I suppose it sounds trite to say the negotiations were simply a discussion to resolve some honest differences of opinions.

Our Club certainly did not look upon the players as the enemy. As a result I do not believe that within our organization there has been any residue of resentment by the players from the lockout. That is because, from the time a player enters our organization as the result of a draft, trade, or purchase, we have been mandated by ownership to treat them fairly and with the integrity that embodies the corporate philosophies of each of our owners. We attempt to instill in the players a pride in being a Blue Jay. We attempt to develop a "we" mindset as opposed to an "us against them" mindset. We want them to know that, while we win together, we also lose together.

And how do you do that? By treating them fairly and honestly. At first honesty can be disarming and result in suspicion. But I believe that if you keep pounding away at maintaining your integrity, you will reap the reward that I believe this Club enjoys at the present time. I do not see any resentment lasting from the lockout. A cynic of course would say "why should there be any resentment - these guys are all making over $1 million?" I do not know how one gets close to a ball player. But any one who knows a player - knows they are genuinely decent human beings. The left fielder - his name presently escapes me - the one who told the fans they could kiss his purple something - signs 10,000 autographs a year, finances together with Alfredo Griffin an orphanage in the Dominion Republic; plays hurt and plays hard, but is criticized for not signing someones autograph book.

- Dave Stieb was the founding Chairman of the 65 Roses Club - an organization that raises considerable funds on an annual basis for cystic fibrosis.

- The entire relief pitching staff not only began raising money for a rarely known disease four years ago but went on air and brought focus to the problems of Ileitis and Colitis.
- Even the player's wives get involved by raising tons and tons of food for the Toronto Daily Food Bank on an annual basis.

These are but a few examples. But what am I trying to say - these guys, these players and their families are good people. They are hopefully like everyone in this room. They are not afraid to get involved and not afraid to give back something to a community that has been good to them. They appreciate your support and hopefully you will appreciate their contribution to the community. They are much more than greedy money-grubbers.

I suppose it would be negligent on my part if I did not mention our new playing facility - what I believe has now become the world famous Toronto Skydome. It would be fair to state that, no matter where we travel in baseball, everyone wants to know about the Skydome. Of course without question, the roof is the focus of attention. Does it work? How quiet is it? How quickly does it open?

After only being in the stadium for 57 games, it is already easy to take it for granted. But when you reflect on the complexity of the stadium with all its enhancing features, we, the Toronto Blue Jays, are truly fortunate to play in a one-of-a-kind creation. And notwithstanding comments from our old pal Lloyd Moseby, I have yet to hear another player knock the Skydome. I suggest if Lloyd was coming from Detroit to Toronto he might have called the great old baseball stadium, Tiger Stadium, an antique and expound how he could finally play in the 20th century. And I have not heard anyone say it is not a fair ball park - 328 down the lines, 375 in the power alleys, 400 dead away centre, a good test for a hitter, a fair park for a pitcher. But the true magnificence of this stadium is its multi-purpose use. There are always critics that will find fault with anything. Perhaps the acoustics are not Carnegie Hall but on the other hand the Rolling Stones don't play Carnegie Hall.

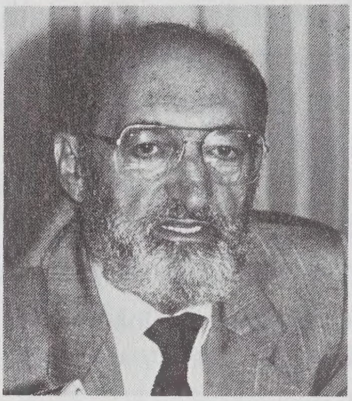
Wrestling! Religious services! Les Miserables! Football! Ice Skating! Boat Shows! Cricket! The list goes on and on and on. It is a place for people and a facility for our time. Toronto is the envy of much of the world and we, the Toronto Blue Jays, would like nothing better than to reward those thousands of people who laboured through all kinds of weather to provide us with this outstanding playing facility, by bringing a championship to Toronto in this our first full year in the stadium.

The 1990 season commences next Monday evening in Texas. On Tuesday, in front of Prime Minister Mulroney and President George Bush, we have our home opener. Our entire organization is looking forward in 1990 with much anticipation. We believe we have the talent to win the American League East. Clearly the American League West will be difficult once we get to the playoffs. But with good pitching and a break here and there this could be our year.

Cito Gaston Monday night begins his first full season as a manager. It is unfortunate that he did not have a full spring training to get the team ready. He has the players, he has the pitching, he has everybody happy and playing for him. He is in control. In fact if there was ever any question, he established that control once and for all in late June when we were playing in Texas. We had gone through a terrible hot spell and were not playing all that well. The players were complaining it was too hot and they couldn't perform properly, that they were in fact drained by the heat. We went into Kansas City where the temperature was 100 degrees on the Saturday, probably hotter on the field. After the game, which we lost, there was the usual complaining about the heat and Gaston sat there and listened. Sunday morning he called the team together and told them he did not want to hear another word about how hot it was. He told them it was hot for the Royals, hot for the umpires and hot for the fans, and the first person who mentioned the heat would be fined $1000. Cito was out on the bench about a half hour later when George Bell walked into the dugout from the clubhouse. His first words were "boy it is hot" at which time Cito jumped up to tell George those words cost him $1,000 and George turned to see Cito was there and added "and it's just the way I like it".

Ladies and gentlemen, thank you very much.

The appreciation of the meeting was expressed by John Campion, Partner, Fasken Campbell Godfrey and a Director of The Empire Club of Canada.



*The Daily News, Halifax N.S.*

April 12, 1990

## Dr. Henry Morgentaler
The Morgentaler Clinic

# THE CONTINUING CONTROVERSY ON ABORTION

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Chairman: **Sarah Band**
President

Before I introduce our Head Table guests today I want to welcome guests of The Empire Club who are here for their first luncheon and newcomers to The Empire Club.

Our Club is a well-respected institution. We have traditions which may seem out of place to some. But they stand to honour our audience and respect our speakers.

Sometimes our guests bring their own agendas and concerns. On the very odd occasion we have had guests who wished to volubly disagree with our speaker. I trust this audience will respect the traditions of The Empire Club. If you have concerns, and feel compelled to voice them, please refrain from doing so until the meeting is adjourned, about 45 minutes from now.

**Introduction:**

Honoured Guests, Head Table guests, members of The Empire Club, ladies and gentlemen.

No man in the history of this country has stimulated social change, been the focus of such passionate emotions, or reached so far into the psyche of Canadians, as our speaker today. Henry Morgentaler has put himself at the centre of controversy, has gone before juries and judges, been convicted and acquitted, been jailed and reviled. All of this in the country to which he came after surviving the ghetto of Lodz, and the horrors of Auschwitz and Dachau.

He studied medicine in Germany, Belgium and Montreal. He established a clinic in Montreal and was charged in the courts. The jury acquitted him, the courts overturned the verdict and he went to jail. Charged for the second time, the jury acquitted him again. The House of Commons passed "The Morgentaler Amendment" to prevent a court from ever overturning another jury verdict. He was tried again, for the third time, and for the third time the jury acquitted him. He opened clinics in Winnipeg and Toronto and was tried yet again. Is anyone surprised that the jury acquitted him? This time the Supreme Court of Canada heard the appeal and changed the laws of the land. The law under which he had been charged and jailed, was unconstitutional. One Canadian writer called this ordeal, "...the unprecedented, 15 year Morgentaler saga." So perhaps it is not inappropriate to remember what Oscar Wilde said, "I sometimes think that God, in creating man, somewhat overestimated his ability."

Henry Morgentaler is not the only doctor to have performed abortions in Canada. Nor will he ever be. He is the first, however, to have challenged widespread unfairness and inequality. In the doing though, he has made Canadians look at themselves in ways sometimes uncomfortable and unsettling. He has brought to question the paradox of juries acquitting and judges convicting and raised doubts about the jury system in our land. He has shown abortion to be a social issue which tests the will of society, an issue unlike any other.

Gordon Gibson, writing in the Financial Post has this to say. "There is no way the state can enter such a disputatious area, where it has no chance whatsoever of making any prohibitive edict stick. "Our governments are not intended to address all the problems of humanity." And finally he said, "...there is an unusual lack of respect among many Canadians for the honestly held views of others on this topic." To which we may all say, "Amen."

Ladies and gentlemen, I have introduced leaders of nations and of business, of state and finance to this audience. I have met men who climb mountains and shape minds. I have never introduced a person whose dedication to a belief; whose sacrifice and struggle are more deserving of my great regard, respect and admiration. Please welcome Dr. Henry Morgentaler.

## Henry Morgentaler:

It is surprising that the debate about abortion is still raging in this country with such passion and vigour. The new abortion law will soon reach third and final reading in the House of

Commons. At the root of what makes this debate so acrimonious is the clash of two opposing philosophies of life - one broadly humanist and the other based on traditions derived from religious precepts.

The abortion debate has made a positive contribution to the changing of public perceptions about the rights of women to self-determination, about what is responsible or irresponsible and what is moral or immoral. I wish to touch on some of the medical and legal aspects of the question and to try to put everything in some kind of perspective.

## MEDICAL ASPECTS

The most important fact to remember about medical abortion is that it has, in the last 20 years, become a procedure that is safer than appendectomy and tonsillectomy, and is 12 times safer than childbirth itself. Due in part to the use of vacuum curettage techniques, and to the use of local anaesthesia, the procedure can be readily carried out in freestanding clinics or even doctors' offices. Nine out of 10 U.S. abortions occur in clinics outside a hospital setting. Besides being safer than hospitals, clinics are usually more modern in their methods and equipment. The empathetic and supportive environment can be in stark contrast to the disapproving and judgmental attitudes which may greet abortion patients in general hospitals.

Most importantly, the medical benefit of decreasing delay cannot be sufficiently emphasized. Every week of delay increases the danger of major complications by 20 percent. The stress of waiting in itself contributes to illness.

## LEGAL

Let me present a history of past legal skirmishes as I have lived them. In 1967, a committee of the House of Commons examined changes to the existing abortion legislation. Then abortion was punishable by life imprisonment, unless the pregnancy endangered a woman's life. The Humanist Fellowship of Montreal presented a brief to the Commons committee, which I researched and wrote. It was the first public body to advocate abortion on request - a novel and revolutionary concept for its day.

The ensuing debate and my involvement had an effect on me that I had not anticipated. I was a general practitioner, yet women started coming to my office seeking abortions. Initially, I refused their requests, mindful of the consequences to an act of civil disobedience. My moral dilemma became acute. In refusing these women the help that I had publicly stated they deserved, I was condemning them to unsafe back-alley procedures, possible infertility, injury or death. But on the other hand, if I decided to help them, I was risking my medical license, the security of my family, and possibly a long jail term and financial ruin. Eventually, after a great deal of soul searching, I decided that it was my duty as a physician and a humanist, to practice what I preached. I started to provide abortions in my Montreal office in 1968.

In August of 1969, the new Canadian abortion law became effective. It legalized abortions in the event that pregnancy was a threat to the life or health of the woman, as approved by a hospital's therapeutic abortion committee. Sixty percent of all hospitals opted not to provide the service, which de facto meant that many women were denied access and all were subject to delays. Needless to say, the demand was such that my practice continued to grow. It served both Canadian and American women.

The inevitable raid occurred in 1970. While the wheels of the law slowly ground forward, I continued to practice. Slowly too, American laws were being liberalized, and the historic Roe vs. Wade decision, invalidating all state laws against abortion, practically coincided with my first trial, which took place in Montreal in October, 1973. That trial, before a French-Canadian Catholic jury, ended in an acquittal. It was a great victory. I hoped it would provide a precedent, as had the trial in Britain of Dr. Aleck Bourne, in 1939, which effectively put a stop to prosecutions until British laws changed in 1967. In that celebrated case, Dr. Bourne had provided an abortion to a fourteen-year-old girl who had been raped by soldiers. He was acquitted and his case could henceforth be used by British doctors to point out the distress of women seeking abortions as a justification for the procedure.

However, the Canadian story unfolded quite differently. Premier Bourassa's government in Quebec appealed the jury decision. This right, to appeal a jury verdict, does not exist in the U.S. or Britain. But it does in Canada to this day. What was worse, a Court of Appeal had the right not only to cancel the verdict of the lower court, but also to substitute its own. For the first time in Canadian history, the Court of Appeal of Quebec overturned a jury verdict of innocence and declared that I was guilty. I was sentenced to 18 months in prison. The Supreme Court of Canada, in 1975, approved this decision. On March 27, 1975, I began to serve my sentence in Montreal's Bordeaux jail.

The Quebec government, trying to break my morale, and hoping for a jury conviction, immediately began proceedings with another trial, while I was in prison. That trial produced another acquittal but I was still in jail. This situation created an uproar among civil libertarians. John Diefenbaker, then in opposition, introduced the bill that would prevent a Court of Appeal from overturning a jury verdict. The resulting amendment to the Criminal Code is known as the Morgentaler Amendment.

In January, 1976, after 10 months in jail, the Federal Minister of Justice annulled the guilty verdict of the Appeal Court and ordered a third trial, a retrial of the first charge. Not double but triple jeopardy! A third acquittal in September of 1976 was about to be followed by a fourth trial, when Bourassa's government went down to defeat. The Levesque government promptly cancelled the projected trial, withdrew the threat of further judicial action against doctors, and agreed that the law, as it stood, was deficient and unenforceable. In the intervening years since 1976, I have trained about 50 doctors to provide abortions in community clinics, operated and financed by the Quebec Government. Today, Quebec leads the country in providing safe abortions and a benevolent policy of access.

While the situation was improving in my home province, it was deteriorating in the rest of the country. The anti-choice movement, mostly conservative Catholics and fundamentalist Protestants, concentrated on the weakness of the legislation to take over hospital boards for the purpose of eliminating the abortion services. Access for women shrank as hospital after hospital caved in to pressure tactics. In response to that development, I reluctantly decided to re-enter the fray in 1982.

That meant opening two clinics, one in Winnipeg and the other in Toronto, in May and June of 1983. Both clinics were duly raided, and the Toronto trial commenced. The judge rejected our challenge that the law violated the new Charter of Rights, but, nevertheless, another jury (the fourth) handed down a verdict of not guilty, in late 1984.

In what was by then becoming deja-vu, the Government of Ontario appealed the jury verdict. The Court of Appeal cancelled the acquittal, but this time, due to the Morgentaler Amendment, they could not send me to jail. They ordered a new trial. It was my appeal of that order which had its culmination in the historic Supreme Court of Canada decision of January, 1988, invalidating the abortion law.

While it seemed the judgement could not be clearer, and the struggle for dignity and autonomy for women was given a considerable boost, the reality remains that access to abortion in this land is still far from satisfactory. It is indeed a major problem in Canada at this point in many parts of the country. Thousands of women have to travel long distances to reach the limited number of institutions that provide abortion services. On Monday of this week, I worked at the Morgentaler Clinic in Winnipeg. Out of 17 patients that day, we had four who came from Saskatchewan and four who came from Alberta, travelling 8 to 16 hours by car or bus to reach Winnipeg. In our Montreal clinic, one-third of our patients come from the Atlantic provinces for a total of 500 per year. When you add up the fatigue, stress and increased cost as well as the delays involved, you get a picture of how women are still exposed to unnecessary suffering and risk.

Reactionary provincial governments have moved to curtail the rights of women in Atlantic Canada. When I chose Halifax as the site of a badly needed Maritime clinic, the government passed legislation which restricted abortions to approved hospitals. That was exactly one of the provisions struck down two years ago by The Supreme Court of Canada. The legal challenge to this legislation is, of course, going ahead. In the meantime, the Nova Scotia courts have consented to a government request to grant an injunction not to let me practice in the interim which I am now appealing to the Supreme Court of Canada. My trial in Halifax will be held in June, and, it still feels like Quebec, 1973. For now, the women of the region still have to trek to Montreal or the States while the callously indifferent Nova Scotia Government sits undisturbed by its deliberate inflicting of pain and suffering on women.

## BILL C-43

I wish to comment now on our new abortion legislation before Parliament, Bill C-43. The first point about this Bill is that it is completely unnecessary. We have lived now in Canada for over two years without any law on abortion and the sky did not cave in. The Province of Quebec has not enforced the past criminal abortion law since December, 1976, and for the last 13 years, Quebec did very well without an abortion law. In fact, access to abortion is better now in Quebec than in any other province, with positive effects on the health of women and children. The decision on abortion belongs to the woman involved, taken usually in consultation with the man in her life if he is present and the relationship is good. The doctors willing to provide medical relief are regulated in each province by the College of Physicians & Surgeons that supervise the quality of care. To complicate matters by involving the criminal process on top of all this is clearly superfluous and must be seen as a concession to the anti-abortion lobby with potentially disastrous consequences to access.

My major philosophical disagreement is that Bill C-43 takes away from women their recently hard-won autonomy and dignity. It does so by returning them to a paternalistic system that takes decisions about their bodies and their lives and places it, once again, in the hands of others who are presumed to know, better than they do, whether motherhood is healthy for them or not.

The decision to terminate a pregnancy is not one taken lightly or frivolously. The decision ought to be taken by a woman or couple with a doctor willing to provide help, as the Canadian Medical Association recommends. The criminal law should not be present, as a Damoclean sword lurking in the consulting room. A woman does not deserve to be forced to role-play a sick person in order to ensure agreement from a doctor, who may be charged with a criminal offence for a wrong diagnosis, with patients liable to be accomplices.

The significant differences of this law and the previous one are that the word "health" becomes more specifically "physical, mental, or psychological health", that a committee of doctors becomes one legally vulnerable physician; and abortions may be performed in free standing clinics. Ironically, this is the very point the Nova Scotia legislature has just made illegal. However, most significantly, abortion is once more part of the criminal code. It may be considered a crime again, carrying a penalty of two years for the doctor and the woman, if provided outside the accepted parameters of the law. This is wrong and possibly unconstitutional under the Charter. A freely chosen abortion is a moral, ethical and responsible decision, certainly not a crime. The law exposes doctors to third party litigation. Doctors will now be forced to choose between a woman's security and her right to determine her priorities and aspirations, and the doctor's own security, that is, the perfectly sensible fear of the criminal code. Many doctors will stop providing abortion services to women because of this threat. Thus, access will become even more difficult than it is now.

I believe the Bill is fundamentally flawed and I hope it will be defeated. Should it pass, I hope the government will be decent enough to seek the opinion of the Supreme Court of Canada about its constitutionality before it becomes law. Canadian women deserve better than the gratuitous insult of this legal monstrosity. Canadians deserve better than an irrational law leading to hypocrisy, breeding disrespect for law in general.

Let us put the abortion controversy into some kind of perspective. Abortions have moved out of the back allies and into the best of care that medical science can offer. This is a reflection of a caring society. It is time that laws for a mature country be enacted that are rational and respect the lifestyles and individual conscience of all citizens in a pluralistic society. In the words of Chief Justice Dickson, "a truly free society is one which can accomodate a wide variety of beliefs, diversity of tastes and pursuits, customs and codes of conduct". The full acceptance of women as equals of men is adding a new dimension to the adventure of humankind. It is part of the steady progression toward the recognition of the dignity and rights of groups which had previously been discriminated against. Slaves, prisoners of war, and especially children, are examples of groups that, at certain times in history, used to be treated with brutality and senseless neglect until recently. We now recognise how important it is to raise a child with love and affection, if we are to produce a caring and nurturing adult.

Most countries have now recognized the right of women to participate fully in the construction of a society that, up to now, had been the preserve of men. This revolutionary change has, not surprisingly, been opposed by many elements that are recalcitrant, those who remain obedient to dogma, to tradition and the heavy legacy of past conditioning.

The real problems of the world - starvation, misery, poverty, pollution of the environment, and the potential for global violence and destruction - call for concerted action on the part of governments, institutions, and society at large to effectively control overpopulation. It is imperative to control human fertility and to bring children into the world only when they can be well taken care of, receiving not only food, shelter and education, but also the emotional sustenance that comes from a loving home and parents who can provide love, affection and care. In order to achieve this, women across the world have to be granted the rights and dignity that they deserve as full members of the human community. This would naturally include the right to safe medical abortion on request.

As we approach a new decade, a new century, and a new millenium, let us dedicate ourselves to the achievement of a just and compassionate society where women work together with men in equality and love, to bring about a millenium of universal brotherhood and sisterhood based on the potential of human beings for goodness, creative self-realization, a loving acceptance of self and others, and a sense of responsibility towards the planet, other species, ourselves and the future of our children.

I wish to finish on a personal note. Over the years, many people have asked me, "Why did you decide to expose yourself to so much stress and danger in a controversial cause, and why do you persist in doing so?" The answer, after a great deal of reflecting about it, is the following: I am a survivor of the Nazi Holocaust, that orgy of cruelty and inhumanity of man to man. As such, I have personally experienced suffering, oppression and injustice inflicted by men beholden to an inhuman, dogmatic, irrational ideology. To relieve suffering, to diminish oppression and injustice is very important to me. Reproductive freedom and good access to medical abortion means that women will be able to give life to wanted babies at a time when they can provide love, care and nurturing. Well-loved children grow into adults who do not create concentration camps, do not rape and do not murder.

They are likely to enjoy life, to love and care for each other and the larger society.

By fighting for reproductive freedom, I am contributing to a more caring and loving society based on the ideals of peace, justice and freedom, and devoted to the full realization of human potential. Having known myself the depth of human depravity and cruelty, I wish to do whatever I can to replace hate with love, cruelty with kindness, and irrationality with reason.

This is why I am so passionately dedicated to the cause I defend and why I will continue to promote it as long as I have a valid contribution to offer.

The appreciation of the meeting was expressed by Sam Blyth, President, Blyth and Company and a Director of The Empire Club of Canada.

April 19, 1990

# André Berard

President and CEO, National Bank of Canada

## COMPETING IN THE GLOBAL VILLAGE

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Chairman: **Sarah Band**
President

**Introduction:**

Honoured Guests, Head Table guests, members of The Empire Club, ladies and gentlemen.

André Berard, our speaker today, has been described as, "..an imposing presence," "relatively unknown", and "a workaholic". None of these descriptions allows much latitude for an introduction. However, Raymond Cyr calls him, " A banker par excellence". And that he deserves.

Mr. Berard has always been a banker, first as a collections clerk, and recently, the president and chief executive officer of Canada's sixth largest chartered bank. Between these two appointments there are 32 years of climbing the ladder of success through the Provincial, which gobbled the National, and became the National Bank of Canada.

Fittingly, the Canadian Historical Review said in 1923, "The tradition of Canadian banking is *evolution* and not *revolution.*" In describing himself, Mr. Berard has coined a phrase, no pun intended, which sounds strange coming from a banker. He calls himself a "banker-entrepreneur". He says this describes his bank's ability, "..to have the best response time in Canadian banking." There are probably defaulters who think that's the bad news.

He is the banker who has started allowing his customers to buy wines and groceries and transit passes with a personal debit card. But only in Quebec you say. Pity.

His immediate goals for the bank are simple. He is aiming for more than 100 branches in Ontario before the end of the current year, and a new customer/client relationship for National employees - aims most of us can understand without difficulty. But I hope you will pardon me for mentioning the phrase you chose to express your wishes Mr. Berard. The Financial Post quotes you as saying you want your 12,000 employees, ".. to become 12,000 salesmen. Everyone to fall in love with the customer." I wonder if you have told the spouses.

Ladies and gentlemen it is my pleasure to introduce André Berard, President and Chief Executive Officer of the National Bank of Canada. He will address us today on "Competing in the Global Village".

**André Berard:**

Good afternoon Ladies and Gentlemen:

I can think of no other time in the history of Canada when our future as a country, our very survival, has been more in our own hands than it is now. It is no exaggeration to say that the Canada we know today will be dead if the country does not pull itself together and learn how to compete effectively in the emerging global marketplace. If we want to build a strong Canadian identity, if we want to protect our Canadian culture, if we want to guarantee our political independence, the number one condition is the building of a strong economy. This is not an option; it is a fact of life.

Nobody has ever built a dynamic nation on a weak economic foundation. So if Canada is going to attain its aspirations, if it is going to fulfill its national dreams, it will first have to generate long-lasting economic prosperity. And here comes some really grim news. We as a nation are going about things the wrong way. Our priorities are mixed up, and our energies are being dissipated. We are the Wrong-way Corrigans of the Global Village - heading in the wrong direction. And, frankly, if we don't set things right - if we don't chart a clear and accurate course - and do it now, we'll end up on the junk pile of history, a country that couldn't cut it in the global village.

And why not? Because we're letting ourselves be sidetracted by the wrong issues. While Europe and the Pacific Rim are getting their act together on the economic scene, while they are already in the race to compete in the global village, we in Canada have to be pushed out of the starting gate.

Here's what I mean. Let's take the Free-Trade Agreement with the United States. We're still haggling about that deal - still threatening to tear it up. What a foolish waste of time! The Free Trade Agreement with the U.S. is a reality. And it's a good reality. How in heaven's name is Canada - a country of only 25 million people - going to develop viable manufacturing and service industries without ready and secure access to larger markets? The Free Trade Agreement is merely another step - a necessary step - in the march towards trade liberalization.

The ink on our agreement wasn't dry when Western Europe followed with its project for Europe '92. Trade barriers are now falling in Eastern Europe, Germany contemplates unification and Mexico wants to join into a North American Free Trade Zone. In that environment, it is nonsense to go back - way back - and isolate Canada from competition. It's time to work with the agreement - to concentrate our energies on making Canada competitive within this new free-trade area - and then to use the advantage that this gives us to exploit the opportunities of free trade with the rest of the world as well. Unless we do, we will forever be at the starting gate - long after the race is over.

And then there's Meech Lake. I don't mean to belittle the role that the Constitution plays in the life of Canada. The Constitution gives us an ethical and institutional framework within which to conduct the political business of the nation. Meech Lake is not a perfect document. Like all things human, it is flawed. But no one can really argue with the basic premise of Meech Lake; Quebec is and will always remain a distinct society within Canada. So let's accept the Meech Lake accord for what it really is: a guideline that states the obvious - a guideline whose final shape and whose influence on Confederation will be determined over time through experience.

One thing is certain, however. We must break the constitutional stalemate that now engulfs us. If for no other reason, we must do this in order to present Canada as a unified, mature and dynamic nation to the rest of the world. We must break the stalemate to concentrate on our ability to compete effectively on a world-wide scale. But before we can successfully tackle global competition, we must establish a free-trade environment here at home.

And we have begun to move in the right direction. Indeed, with the Free-Trade Agreement with the United States, interprovincial trade barriers are crumbling. Paradoxically, free trade with the U.S. will eventually bring free trade within Canada. But we have a long, long way to go. Each province still maintains a different tangle of regulations governing virtually every type of business activity. Doing business between provinces can be a nightmare of bureaucracy, duplication and waste. This makes businesses more costly to operate and less responsive to consumer wants. Many provinces still engage in preferential treatment in awarding government contracts - again, further driving up the cost of doing business in Canada.

Unless we eliminate barriers to trade within Canada, we, in Canada, will never become successful competitors on the world stage. If we choose not to compete in the expanding markets of the '90s, we'll lose all around. Our relative size and strength will diminish, and we will fall easy prey to newly emerging giants. The one truth that we must face up to - the single most important reality of the 1990s - is that we will be competing against the best in the entire world, throughout the entire world. It's a brand new game, and each sector of the economy has to find out how this new game has changed the business they are in.

Let's take my business, the banking industry. We are facing three pressing challenges. The first is financial market integration on a global scale. Technology has changed the way we do business. Instantaneous global communications keep markets operating 24 hours a day, and each market offers a growing list of products. This around-the-clock shopping is more than a mere convenience. It is vital for companies that want to protect themselves against interest and exchange rate fluctuations. It is essential for any business that competes on an international scale. And in the world of the 1990s, that means just about every business there is.

It certainly affects the banks and the banking industry. Everyone, no matter how big or powerful, faces the same stiff competition. Let's face it, our customers can go anywhere in the world for financial services. So we in the banking business must also be able to go anywhere, anytime, just to keep up with our customers.

International competition has created the second major challenge facing the banking industry. Our margins have narrowed, which means to keep our customers we must become more productive. We are confident that we can do this, but we also recognize the difficulty of our task. To Canadians, our banks may seem large and powerful, but when viewed in a global perspective, Canada's banks are small. We simply cannot compare in size to the giant financial institutions of the United States, England, France, Germany or Japan, and this makes our challenge to compete in the Global Village all the more difficult.

So we must diversify our activities. We must optimize the use of our resources. We must maximize the efficiency of our distribution networks, which are becoming more and more costly to set up and maintain.

This brings the third challenge, eliminating barriers to trade within the Canadian financial industry. What is true for banking is also true for the insurance and trust industries. We are all very small players who try to compete in the world market. And once more, we are stuck with a legislative stalemate. Rather than moving swiftly to insure global competitiveness, governments are holding out as if turf wars will disappear by magic. More than ever, we need their leadership. Members of the industry are united in requiring new legislation. We are still waiting.

You know, years ago, when he was mayor of New York City, John Lindsay was accosted by an irate citizen about the city's air pollution problem. Well, replied the suave and unflappable mayor, I never did trust air I couldn't see.

Neither, it seems, do our policy-makers in Ottawa. Not content with a pollution-free business environment, they have clouded the environment with a host of quite visible regulations and restrictions. Canada's chartered banks, for example, are prevented from owning other banking-related businesses and they are prevented from providing a wide range of vital financial services, such as insurance and real estate brokerage. What's worse, the federally chartered banks and trust companies do not have the same freedom, the same opportunity, to serve their customers as do provincially chartered financial institutions. It's no wonder that Royal Trust is threatening to give up its federal charter and seek a provincial one instead.

I don't object to the freer regulatory environment that exists in the provinces. Quite the contrary, I applaud it. I only wish that all players could play by the same rules. You may think, this is a problem for us, the federally chartered banks. But it is also a problem for you, the business people of Canada. For if we cannot compete effectively within Canada, we will never develop the capability of competing world-wide. If we can't do that, then we will not be able to provide you - Canadian business - with a wide range of competitively priced banking and financial services. And without that your businesses will lose some of their competitive edge. So one of our top priorities, as we prepare to compete in the Global Village, is to eliminate cumbersome and unfair federal restrictions. Cumbersome, because they make it more difficult for consumers to buy related services under one roof. Unfair, because these restrictions do not apply to other financial institutions, such as trust companies and Caisse Populaires.

As vital as they are, however, these reforms are only part of the solution. We must do much more to bolster Canada's economic strength. Other industries and governments at both the federal and provincial levels, must also do their part to reduce the cost of doing business - to make us more competitive. In many ways, Canada is a competitive country, and we've got the statistics to prove it. However, according to recent reports, we have been slipping in the charts. For example, the Canadian Labour Market and Productivity centre noted that Canada's manufacturing productivity growth over the 1981-88 period was by far the worst of the seven major OECD countries.

As for innovation in product and services, a recent University of Toronto study shows that Canada's ranking dropped from a mediocre nine in 1986 to a positively dismal 15 in 1989. Well, I have a suggestion. Let's borrow the new technology that others are developing. Let us profit from the innovation of others. The Japanese have built their industrial empire on this strategy. It's a fast and relatively inexpensive way to push yourself to the top. However, staying there is another matter. You can't be a copy-cat forever. So sooner or later, Canada will have to beef up its own R and D activities. That means industry will have to allocate a higher percentage of its capital to developing new technologies, new processes and new products.

It also means that Canada will have to pay more attention to its most vital resource - its young people. Young Canadians are simply not being educated to function effectively in the modern world. In Japan, 94 percent of the 17 year olds are still in school. In Germany, it's 89 percent. In the United States, 87 percent. In Canada, we lag far beyond with a paltry 72 percent. And what is the consequence? A recent survey by the Southam Newspaper Group showed that five million Canadians - that's more than one in five - cannot read, write or compute well enough to cope with life in the moderm workforce. In another study, the consulting firm Woods Gordon estimated that illiteracy costs business at least $4 billion a year in accidents, errors and lost productivity. It is obvious that we have a long way to go in education. And I'm afraid that, once again, we will end up in a stalemate - that we will spend a lot of energy talking about the issue without solving anything. Our problem in Canada is that we talk a lot about the rules of the competitive game, but we are afraid to get down and play.

I cannot leave you this afternoon without a few words on what may be the most pressing issue of all. The world competitiveness report calls it Financial Dynamism. This term is used to describe the quality of the financial environment within which firms operate, and, boy, have we ever lost points, falling from seventh to 11th place during the past three years. And one of the main reasons for this is our public debt. This debt represents a mortgage on our future. This may be a cliché, but that does not change its fundamental truth. Interest on the national debt, which now hovers at about $350 billion, will come to $39 billion this year. That means 35 cents of every tax dollar paid by Canadians goes to paying that interest. These payments are the largest single item in the federal budget - bigger than social services - bigger than defence - bigger than transfer payments to the provinces. And they're growing every year.

To make matters even worse, our net debt - that is, debt that goes to pay for interest expense and other operating activities of the government and thus does not add to public assets - has grown to an alarming $200 billion. Unless we put a lid on this debt, we are going to leave an unforgivable financial burden on future generations of Canadians. Basically, we're having a good time at the expense of our children and our grandchildren; we're simply blowing their future.

I should add that public debt may also be blowing our present. The fact is, the Canadian dollar has been reaching new heights because of our skyrocketing interest rates, and this development can be traced to the federal deficits. They are the major catalysts of the economic stimulation that produced the current wave of inflation. And, as we all know, the Bank of Canada is forced to fight this deficit-induced inflation by raising interest rates. But it's not too late to stop. The government of Canada can change its spending habits. However, this will happen only if we, the people of Canada, have the gumption, the will and strength of character to make sacrifices. The federal government has made a start in the right direction - excluding interest payments, the deficit is much tamer today than it was a decade ago. But it must be slashed even more, and every sector of Canadian society must be prepared to tighten its belt.

To wrap it all up, we have been stalling for too long. We're stuck with the constitutional debate, stuck with financial legislation, stuck with economic deregulation. We still argue about free trade, education programs and how to improve productivity. We blame high interest rates on the Bank of Canada while we should review government spending programs. Either we take the path of least resistance and let Canada become a backwater of economic stagnation, where we will lack even the means to provide ourselves with a decent standard of living - let alone protect our cultural and political independence - or we bite the bullet, change our priorities and get into the race to make Canada a major player on the world economic scene.

If you find this prospect daunting, I'd like to remind you of Yogi Berra, a baseball legend known as much for his ability to turn a phrase as for his prowess on the field. When asked at the beginning of a tough campaign about his chances against another club, Yogi replied: "We couldn't beat them when they had a bad team, how are we going to beat them when they have a good team?" To Yogi, and to you, I would reply: You do it by building a better team, by building a better economy, by building a better Canada - one that can compete with the best in the world. Let's stop arguing about how the game should be played at home. Let's play by the rules of world markets; play it over and over again; play it until we are the best. I know we can do it, and there is no doubt in my mind, we will do it.

The appreciation of the meeting was expressed by John Bankes, Executive Vice President, Richardson Greenshields of Canada Ltd. and Second Vice President of The Empire Club of Canada.

April 26, 1990

# The Hon. Mary Collins

Associate Minister of National Defence

# WHY YOUR CHILDREN SHOULD ENLIST IN THE CANADIAN ARMED FORCES

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Chairman: **Sarah Band**
President

**Introduction:**

Honoured Guests, Head Table guests, members of The Empire Club, ladies and gentlemen.

At this last luncheon meeting of The Empire Club for the current year, it is a pleasure to welcome a Minister of the Crown in the person of such a charming guest.

The Honourable Mary Collins is the Associate Minister of National Defence, and the Minister Responsible for the Status of Women. How, you ask, can such divergent portfolios rest with only one person?

Probably because of her acceptance of the responsibilities given her in the six years she has represented Capilano in Ottawa. Perhaps because of her background in women's concerns through the YWCA in both Ontario and Alberta.

And in National Defence? How about a wide knowledge of our country and its concerns not only at home but abroad. Mrs. Collins doesn't need any endorsement of her appointments.

She is a graduate of the Universities of British Columbia and Queen's, where she earned her degree in Political Science.

She is an active member of the Justice and Legal Affairs Committee of the House of Commons, and was its Chairperson.

It is a pleasure to welcome her to The Empire Club, as much to hear her address as to prove the truth of the comments of a 1920's writer whom Canadian Jean Bannerman quotes in her book *Leading Ladies.* "When women have a voice in national and international affairs, wars will cease forever."

With Mary Collins at the seat of government it would appear we have the voice, and the person.

Ladies and gentlemen, please welcome the Honourable Mary Collins.

**Mary Collins:**

Members of The Empire Club, distinguished guests, ladies and gentlemen.

It is my pleasure to be with you this afternoon and to have this opportunity to discuss with you some of the issues presently before the nation and the Department of National Defence in particular.

I find it fascinating that it was only last summer that our government was being criticized for the alleged lack of a political agenda - that we somehow resembled a ship adrift without its rudder. Today, however, you are likely to see those same groups mourning the length of the list of issues presently under discussion. It is truly the quintessential "Catch-22".

As I was invited to discuss issues relating to my role at the Department of National Defence, I won't spend too long on what I believe to be the most important single issue before our nation: the passage of the Meech Lake Accord.

The Meech Lake Accord has come to represent far more than the constitutional development of Canada. It has come to embody the re-unification of Canada as a nation. The Conservative government understands the need for each region of our country to feel at home, to feel like they belong in Canada. We are all different in our own way. As a British Columbian, I am proud of that fact. When the Prime Minister undertook to right the wrongs of the 1982 negotiations, he recognized that the Meech Lake talks had to be positive, that they had to be constructive, and that he must be the bridge between 10 unique provinces.

The support of the people of Ontario in this process has been most encouraging. As someone who spent over 15 years in this province, I am pleased to have vowed to overcome the mistrust, to look beyond the cultural differences between English and French Canada. I think we're going to get through this period and realize the dream of "one Canada".

When I was asked by the Empire Club last winter to address this audience, I was stuck for a topic. You see, there is so much going on within the defence community, both domestically and internationally, that I couldn't predict what would be appropriate by the time the end of April came around. The title, "Why Your Children Should Enlist", is a catch-all phrase meant to house every possible issue facing the Canadian Armed Forces in these turbulent times. At the same time, I wanted to take this opportunity to pitch the Forces as an employer - to an audience that could probably teach us a thing or two about self-promotion in the nineties.

The best way to explain what the Canadian Forces are about is to give you some examples of recently completed missions.

Last September, after hurricane Hugo devastated the Caribbean island of Montserrat, Canada sent a 30-member engineering and maintenance team there to do vital relief work. The team included engineers, communications specialists, various skilled tradespeople and medical personnel. Their main tasks were to repair the island's power and water facilities, and to restore operations at its only airport.

The team left Canada on 48-hours' notice. In Montserrat, its members lived in modular tents and frequently worked in 38-degree heat. In about two weeks they had completed their work, and returned home to their regular jobs. The mission was a resounding success.

Last summer, Canada sent a group of "inspectors" to Czechoslovakia to observe a military exercise there. This was the first time we had conducted a "surprise" challenge inspection of foreign activities under the aegis of the 1987 Stockholm document. The aim of the on-site inspection was to establish the purpose of a Czechoslovakian army exercise and, ultimately, to contribute to a climate of increased confidence and mutual security.

Our four inspectors included an aerospace engineer, an artillery officer, a pilot and an infantry officer. A small support team provided necessary assistance. The inspection was over in just 48 hours and, by all accounts, was a complete success.

These two teams illustrate more than just interesting and challenging assignments. They reflect the very special *calling* of the Canadian Forces and the worthwhile work being accomplished by our men and women in uniform every day. This calling involves not only in-depth training, education, and rewarding careers. It also involves the development of qualities of character and citizenship which are very important to the mission of the Canadian Forces, and to our society. Above all, it involves a dedication to service which still sets the military career apart from others.

I would like to speak to you today about this special calling to military service and to suggest why young Canadians should consider a future with the Canadian Forces. I speak to you partly as leaders in your chosen fields; I also speak to you as dedicated individuals who chose careers of a more 'traditional' sort, and to try and paint for you my perception of why the forces are an excellent place for young people to start their adult lives - as engineers, dentists, technicians, or firefighters, for example.

I will speak briefly about the personnel make-up of the Canadian Forces, about defence policy in these changing times and the impact of social change on military life.

Let me begin by saying how much I have enjoyed my first year as Associate Minister of National Defence. In most ways, of course, it's been a difficult and challenging year for all of us in DND. But I have been particularly impressed with the professsional way in which members of the Canadian Forces have adjusted to change and continue to meet new challenges. I have enjoyed managing personnel issues and policy within the Canadian Forces, because I believe, more than ever, that the organization's *people* are its most important asset.

They are also a very sizable asset, and will continue to be so. The Canadian Forces currently have a total strength of about 85,000 full-time regular force members, and 30,000 primary reservists. We also have about 31,000 members of the supplementary reserve, who are not on active service but would serve when called out in a national emergency.

To achieve their mission, the Forces must continue to attract, recruit, train, employ and retain thousands of people every year. In 1989/90, for example, we enrolled more than 8,000 people into the regular force - about 1700 officers and 6800 non-commissioned members.

As we move toward a somewhat smaller regular force in the years ahead, the reserves are growing and taking on even greater importance. The government has approved an increase this year for the primary reserve of more than 1600 personel.

Before we can proclaim the merits of a military career, we must first ask "*Why* a military career?" For that matter, why do we continue to need armed forces, particularly in light of the revolutionary changes in the Soviet Union and Eastern Europe over the past year, and the dramatic improvements in East-West relations?

Certainly the Government of Canada welcomes the prospect of a free, interdependant and democratic Europe, where the possibility of conventional war could be virtually eliminated. This prospect is what we and our allies have been working hard to achieve for nearly 50 years.

We also welcome the unilateral Soviet plan to withdraw troops from Eastern Europe, and the encouraging progress in Vienna toward an agreement on reducing conventional forces in Europe.

Given all the positive developments which have occurred, we believe that the threat of a war in Europe has been substantially reduced. Few seriously believe that the current leader of the Soviet Union has any intention of using military aggression against the West in the near future. But as our Ambassador to the U.N., Mr. Yves Fortier, says: "We should not emulate moonstruck teenagers either, we must mature to adulthood as we analyze the developments in the USSR."

So what should our reaction be? First, common sense dictates that we continue to work to reduce nuclear and conventional forces on both sides, to the lowest levels possible.

Secondly, however, history reminds us that peace must never be taken for granted. No-one can *guarantee* the end of hostility. In the nuclear age, this simple truth takes on urgent meaning. Prudent defence planning must be based on a realistic consideration of the capabilities which could be used to threaten our nation.

Thirdly, even as the world becomes less divided into two opposing camps, it is also becoming less stable, more fragmented, and more unpredictable, with regional and ethnic frictions causing concern in many regions of the world. Common sense demands, once again, that we not contribute to instability by abandoning the fundamental principles of our national security policy.

We are currently reviewing our defence policy in light of reductions of East-West tensions and our own budgetary necessities. Canada's defence policy, however, will continue to be based on four pillars:

- first, collective security and defence *within* the Atlantic Alliance, including our continental defence partnership with the United States;
- secondly, the protection of Canada's sovereign interests, especially in our airspace and territorial waters;
- thirdly, continued participation in international peacekeeping operations, to help resolve regional conflicts;
- and finally, a contribution to the search for balanced and verifiable arms control agreements.

This policy is still consistent with the developments in Eastern Europe. I, too, am personally amazed at the changes that have taken place, and despite the criticism we are receiving from some observers for the depth and pace of our review, I know we are on the right track. “While war makes rattling good history”, said Thomas Hardy, “peace is poor reading”. As a defence minister in NATO, I can stand some poor reading without a second thought.

We expect the results of the defence policy review to be made public sometime this year. Whatever the finer points of the review may bring, we will continue to need modern, effective armed forces - both regular and reserve. We need them to safeguard Canadian sovereignty; to preserve and maintain individual freedoms and our democratic way of life; and to help preserve world peace and order. If absolutely necessary, we need them to provide the ultimate physical protection against military threats to our nationhood.

The defence of the nation is the primary mission of the Canadian Forces, and will remain so. It’s why we establish, train and equip armed forces. But service to Canada and Canadians may involve much more. Because they are structured and trained to meet their military roles, the Forces are also ready to serve in peace-keeping, verification of arms control agreements, search and rescue, fishery patrols, drug interdiction, chemical or environmental disaster response, and civil assistance.

The Canadian Forces can be quickly tailored to meet threats other than military - especially in situations requiring logistics, communications and transportation co-ordination. And our people have the right qualities of character - the discipline, professionalism and dedication - to ensure the success of difficult operations.

The hurricane relief mission in Montserrat, which I mentioned earlier, illustrates the point. Similarly, the Forces provided hundreds of flights last year to evacuate people from fire-threatened areas of Manitoba - in all, almost 6000 people airlifted to safety. In short, the Canadian Forces provide an important reservoir of skills and capabilities that can, and, we expect will, be drawn upon in many ways.

Members of the Forces are an integral part of our society, but in many ways they also stand apart from society. They are separated from the mainstream by their duties and obligations; by the laws which govern them; and, to some extent, by their lifestyle. And, although the Forces have changed considerably over the years, they are still imbued with what is called the "military ethos" - a way of life and habit of mind based on loyalty, teamwork and, above all, "service before self."

Our personnel policies must, I believe, promote this ideal of service while not losing sight of the mission. At the same time, we must also ensure that the forces do not become estranged from the society they serve and protect.

The challenge we face in the nineties is to determine the correct balance between the needs of the service and the needs and aspirations of the individual. We must take into account many complex pressures for change - pressures driven by demographics, changing attitudes and values, changes within the family and the workforce.

We are working hard to improve life for military families. We are finding new ways, for example, to reduce the stress caused by frequent moves and isolation. We have recently established a new policy to encourage the formation of independent associations of spouses of military members, to open the channels of communication between them and the military. We are also developing a system of family resource centres at our bases, to improve our understanding of family needs and to provide a much-needed focal point for military families.

Another very significant form of social change is manifested in the Canadian Human Rights Act and the Canadian Charter of Rights and Freedoms. These reflect an increased emphasis on individual liberties in Canadian society. In recognition of these changes, DND and the Forces have been making significant adjustments to both attitudes and policies.

Once again, we are seeking a balance between individual rights and the legitimate demands of the military to maintain operational effectiveness. We will be progressive, but there is a risk of becoming a social laboratory. I have sought to maintain a balance in this important area of change.

That being said, I believe we are actively addressing both the spirit and the letter of Canada's human rights legislation - and will continue to do so. Important changes have been made to a number of policies, such as those affecting the enrolment of pregnant women, and benefits for members in common-law relationships.

Perhaps the area where human rights legislation has had the most dramatic impact is in the Forces' employment of women. You may recall that, last year, a human rights tribunal directed the Forces to remove any remaining employment restrictions based on sex (with the one exception of service on submarines).

This decision opened combat roles for women, both on land and at sea. Virtually all restrictions on the employment of women in the air force had been removed several years earlier. The goal now is the complete integration of women into all areas of the forces by 1999, but it's proceeding at a much faster pace than previously hoped or predicted.

Over the past two years, we have been encouraging eligible women to apply for non-traditional occupations in the Canadian Forces. I am pleased with the progress made in this area. Women are applying for engineering in increasing numbers, and many more are showing interest in air and naval operations as well. We now have women on one air base, for example, who are working as technicians on airframes, air defence systems, safety systems and aircraft electronic sensors, to name a few. We also have the *only* two women in the world flying fighter aircraft in operational squadrons.

I should also point out that women in traditional occupations - such as nursing, administration and food services - are now eligible for work in all settings and roles. In other words, they have the same rights, but also the same responsibilities, as men in the service. They may be called to serve, for example, on a base defence force, on peace-keeping duty, on a naval ship or in an isolated location like Canadian Forces Station Alert, in the High Arctic.

I should add that women currently make up about 10.2 percent of the regular force, and 19.2 percent of the primary reserve. Their numbers have been steadily increasing over the past four years and I will be encouraging this trend to continue. In my role as Minister responsible for the status of women, I am particularly cognizant of our department's attitude towards equality of the sexes and am pleased at the good response we are getting through continued increasing interest at our recruiting offices.

Most important, the opportunities are there for women in the Canadian Force to serve in virtually all occupations, units and environments. I am relatively pleased with the progress we have achieved thus far toward fully integrating women into the forces. To this end, I have appointed an advisory board to monitor and report on the department's progress.

As Associate Minister, I have been interested in social change, and its impact on the Canadian military in particular. To help us come to grips with this challenging issue and to improve our personnel policies in the years ahead, I convened a special conference here in Toronto in February of this year. People from a wide variety of backgrounds - including business, government and academia - explored the issues and shared their views over two days. The conference produced many new ideas and approaches, and it began a process of consultation. It showed the importance of bringing together women and men of diverse skills and methods to provide these fresh ideas and approaches.

I would like to turn now to some of the classic elements of military life which appeal to young people - namely, subsidized education and training, the wide variety of full and interesting careers, and the opportunity to work across Canada and in other countries.

A career as an officer in the Canadian Forces still offers the potential for all-round individual development. This may mean a university education, academic and athletic opportunities, leadership training and the chance to truly discover one's potential.

The educational opportunities alone are phenomenal. Candidates selected for the regular officer training plan (ROTP) can receive up to five years of subsidized university education in programs leading to degrees in engineering, science, arts or administration. On graduation, cadets receive their commission and begin a career as an officer. Each student in military college receives a great deal of individual attention, both academically and personally. First-rate student-staff ratios make this possible.

In my view, the military colleges have a record which speaks for itself. Unfortunately, this record is not as well known among Canadians as it deserves to be. Students going to civilian universities will find many courses in management techniques, but probably few in leadership. Our officer cadets live in residence, in a military environment, and learn the principles of leadership by living them day-to-day. They develop a sense of duty, self-discipline, self-confidence and integrity - character traits which will serve them well in life, as well as in the forces.

Careers for non-commissioned members of the Canadian Forces also offer many impressive opportunities. Most important perhaps is the specialized trades training in one of the 100 positions, in 16 separate occupational branches. Many of these occupations require months of training, often in the most advanced technology. Ultimately, the skills and knowledge gained in the forces benefit not only the military sector, but the entire country. For the individual member, the Canadian Forces are a great place to get started in life - whether it's to go on to a civilian career in the future, or to enjoy a full military career.

As I said earlier, the primary reserve is an increasingly important part of the Canadian Forces. It is also an equal partner in the total force. For Canadians who wish to serve their country and to combine full-time civilian careers or education with part-time military service, the reserves have much to offer.

Many excellent training opportunities are available in the reserves, as well as interesting jobs and assignments. By way of illustration:

- Reservists serve with the regular force in Europe and on peace-keeping duty in various parts of the world. (Over the past year, for example, more than 120 reservists served in Cyprus, the Middle East, Pakistan and Namibia.)
- The naval reserves are growing, and training for their new role in maritime defence. To assist them in their task, the government is proceeding with the purchase of 12 modern coastal defence vessels.
- The air reserve is being equipped with new Dash-8 aircraft, and in late 1991 will take over responsibility for all air navigator training flights for the Canadian Forces.

In many ways, I lament this era where so much of what we do at DND is analyzed in microscopic detail. I am pleased at the interest taken in our defence review, but I wonder about those who would have us devise a new strategy for our armed forces overnight. If Mr. McKnight and I had released a new policy manifesto last winter, we would have been surely criticized for a hastily prepared package of recommendations.

Instead, we have decided to get it right the first time. As we analyze our role in search and rescue, fisheries patrols, environmental assistance, territorial defence, and our commitments around the world - you can look forward to an updated defence strategy that catches the imagination of Canadians, and continues the proud traditions of the Canadian Forces.

Thank you.

The appreciation of the meeting was expressed by MGen. Bruce Legge, Partner, Legge and Legge and a Past President of The Empire Club of Canada.

# Toast given by Sarah Band at the Loyal Societies' Dinner to celebrate the ninetieth birthday of the Right Honourable Roland Michener

April 27, 1990

**Sarah Band:**

Toast:
Your Excellencies, Honoured Guests, Head Table guests, ladies and gentlemen.

In the cradle of hills alongside the Thames at Runnymede, the unmarked meadow holds the memory of freedom found. The place where the Magna Charta gave form to dreams and aspirations. As Edward Coke was moved to say in 1628, "Magna Charta is such a fellow, that he will have no sovereign." On the hills behind, a tiny part of Canada's neighbour to the south. The Kennedy Memorial, in memory of the President who gave his life in search of freedom for all peoples.

This, then is the place of our beginnings. The place to which our hearts turn when words like "freedom" and "loyalty" cross our lips. Because the Magna Charta said it all. Spelled it out for a tiny island, then countries across the channel and around the world. The idea from the meadow touched every continent, every parliament, every legislature. It called us to fairness and freedom for people of all ages, all colours, all nations, all walks of life. It called in languages and dialects, and we answered with the spirit of loyalty.

"Loyalty, like affection is a thing of the heart and mind. It is not of the mouth or the pocket," as Sir Andrew McPhail said many years ago. The spirit which brings us together for this grand occasion; the spirit which turned Empire to Commonwealth with the will for goodness, not the fear of oppression; the will we see reflected in the Societies of the Saints, Andrew, George, David and Patrick. In the Order of St. John and in our institutions of lawyers, doctors and the clergy.

Look back with me into my Empire Club. I share it with many, I think of it as 'mine'. Two years after its beginning as a 'listening' club for its members, George W. Ross said these words in his address to the members, "I think you will accept the proposition readily, that there was a time when there was no such thing as Canadian loyalty." I can hear the comments, "Oh really?". And respond that the Empire Club hears many comments. Some of which we disagree with. If there was a time when there was no loyalty in Canada it is not now.

We share an unique legacy of monarchy, the only country on our continent – first French, then English; we share the challenges of language and national differences of origin; we share the power and strength of free thought, differences of points of view, and a single, unswerving loyalty to the right to freedom, to the right of debate, to the right of heritage to a sovereign state.

Tonight we honour a great man of our country. I honour him as a former president of the Empire Club of Canada. I proudly follow in his footsteps. Many others will know him for other times and other associations. He is a beloved leader of men and women, of high repute and strong resolve. In his presence we reflect his charm and wit, his love of crown and country.

To you the Loyal Societies, for honouring our guest, for helping us remember our proud heritage. For reminding us of our monarchies, French to 1759; British from then to 1982 when Queen Elizabeth II became our Queen of Canada; Canadian since then. For showing us the energy to be together and different, I offer this toast.

We accept this night as a joyous visit with the man we love, honour and revere. And I salute you with these words from the English poet John Gay, "We only part to meet again."

# Annual General Meeting

# PRESIDENT'S REPORT

April 27, 1990

Chairman
Sarah Band, President

**Sarah Band:**

As we close this Empire Club year, it is my responsibility and pleasure to present my report.

In it I will try to convey to you the excitement, the pleasure and the support I have enjoyed as your president. I will leave out the frustrations, the disappointments and panic which one might expect in a year of new experiences. Mostly because they were few or non-existent.

The directors of the club were, to say the very least, supportive. And to give them their honest due; they were the movers and shakers who made sure that when things happened, they happened to the credit and honour of the club.

Who can remember without smiling, the fortitude displayed by directors Willis Blair and Carlyle Dunbar? Their picture on the front page of the Toronto Star escorting a guest to the door – horizontally – should perhaps be the cover of the first-ever Illustrated Yearbook.

Much as I would like to mention all the directors and all their contributions, I am constrained by time and fairness. However, we will remember with sadness, the contribution of Bud Hoffman who died this spring. He was a stalwart whose lengthy contribution to The Empire Club was paralleled only by his kindness. He was a strong and caring person who will be remembered with a smile by me, for having told the burly security guard of our Royal Guest of the day that he could come into the room when he proved who he was! The RCMP were asked to resolve the discussion.

In near memory I recall Gareth Seltzer's control of security for Dr. Morgentaler. Under his command, City Police, undercover police, hotel security staff and our directors kept the meeting from being disrupted.

In similar vein I express particular thanks to Carlyle Dunbar for his unlimited help with the introductions to our guests. Although the credit came to me, Carlyle provided the best research material on who the guests were. It was he who reminded me that Pierre Juneau was known affectionately as, ". . the Patron Saint of rock and roll." Mr. Juneau loved it.

Two other directors deserve special mention. Bruce Legge and Ron Goodall encouraged me to allow my name to stand for the presidency. My acceptance was my entree to the very exclusive group I am about to join. The very helpful, watchful, caring members who sit at the Past Presidents' tables have been here. They have earned the right to watch new presidents grow. I will enjoy the experience, and I hope I will be as helpful as they have been.

To the other members of the executive, you deserve all the praise I can give because of the responsibilities you have taken for the administration of our affairs. It was no small commitment, and I thank you for it.

It was a wonderful year and I look back on it with pride and gratification. My memory of the presidency of this prestigious organization will include Jean Chretien's salute to my newborn daughter, the patience with which I was accepted by the members, and the genuine thrill of sitting with kings and presidents, with academics and political leaders, of meeting businessmen and women who see The Empire Club to be an important forum for their thoughts and aspirations.

There have been eighty-seven presidents of The Empire Club of Canada in its illustrious history. None has enjoyed the experience more. None has had a better, more dedicated or cooperative executive. Few have shared the help and understanding of Anne Lato with more appreciation. The year has been a rewarding and enlightening one. I would say "broadening" if it was not misunderstood.

As I take my leave I can only express my thanks again, and encourage my successor to accept the challenge, welcome the help and enjoy the experience. You will find none like it anywhere.

## MEMBERSHIP

Membership has been maintained this year, with an overall total of 2,506 members compared to 2,619 members in 1988-89. Categories of membership are as follows:

| | **1989-90** | **1988-89** |
|---|---|---|
| Honorary Life Members | 4 | 4 |
| Life Members | 197 | 212 |
| Spousal | 620 | 650 |
| Regular | 1,419 | 1,720 |
| Student | 37 | 33 |
| Senior | 229 | |

## ATTENDANCE

To date, a total of 31 meetings attracted 10,563 attendees representing a statistical average of 340 attendees per meeting.

## FINANCE

Membership fees for regular membership, $40.00; spousal membership, $50.00; senior membership, $30.00; student membership, $30.00 and varying amounts depending on age for life membership. Luncheon prices for members approximate the hotel charge for luncheon. An additional charge of $5 is levied on non-member luncheons.

The financial statements for the year ending April 30, 1990, will be presented to the Board of Directors. The audited financial statements will be published in the 1989-90 yearbook.

Respectfully submitted.

Sarah A. Band
President

Sarah Band moved adoption of the annual report, seconded by Hershell Ezrin. The report was adopted. A tribute to the late Bud Hoffman was made by Peter Hermant. The President then called upon the Immediate Past President and Chairman of the Nominating Committee, Tony van Straubenzee for the report of the committee.

**Tony van Straubenzee:**

Madam President, distinguished guests, members and friends of The Empire Club of Canada: It is my pleasure, as Chairman of the Nominating Committee, to report on the work of that committee which was constituted in accordance with Article III of the Club's Constitution, of these members.

From the Board of Directors:
  Tony van Straubenzee, Chairman
  Blake C. Goldring
  Maureen Sabia
  L. Douglas Todgham
  Harry T. Seymour

From the membership at large:
  Henry N. R. Jackman
  John A. MacNaughton
  Brigadier General Stephen F. Andrunyk, O.M.M., C.D.
  Douglas L. Derry, F.C.A.

Our President, Sarah A. Band, served on the committee in an ex-officio capacity.

The Nominating Committee is pleased and privileged to report that the Honorary Officers of The Club for the 1990-91 season will be:

Honorary President
His Excellency the Rt. Hon. Ray Hnatyshin, P.C., C.C., C.M.M., C.D., Governor General of Canada has been invited.
Honorary Vice-President
The Hon. Lincoln M. Alexander, P.C., Q.C., K.St.J., B.A., Lieutenant Governor of Ontario
Honorary Chairman
The Rt. Hon. Roland Michener, P.C., C.C., C.M.M., C.D., Q.C.
Honorary Chaplain
The Rev. Robert Watt, D.D.
Honorary Secretary
C. Dennis Flynn, Councillor, Metropolitan Toronto Council
Honorary Treasurer
Hartland M. MacDougall, C.M., Chairman of the Board, Royal Trustco Limited
Honorary Solicitor
J. A. Wm. Whiteacre, M.M., C.D., Q.C., Counsel – Stikeman, Graham, Keeley and Morrow
Honorary Assistant Secretary
W. Malcolm McIntyre
Honorary Directors
Setrak Adourian
Leslie C. Parkinson
Clarence B. Crummey, M.D., F.C.F.P.(C)
Dr. James A. Parish
Leland H. Ausman
Archivist and Historian
Gordon G. Steele, M.Com.

The nominating Committee is pleased to report that Mr. Willis L. Blair will continue the position of Secretary and that Mrs. Diana Chant has agreed to continue as the Club's Treasurer.

According to our Constitution "the Board of Directors shall consist of forty members, including at least four Past Presidents of The Empire Club, one of whom shall be the Immediate Past President and three others shall be the three

Past Presidents immediately preceding the Immediate Past President".

Therefore, in recognition of this Constitutional requirement, the Committee nominates: the immediate Past President, Sarah Band, Tony van Straubenzee, Ronald Goodall, and Nona Macdonald.

Furthermore, the Nominating Committee recommends unanimously that the following members of the Board of Directors continue to serve in the coming year:

Graham D. (Sam) Blyth
Mary R. Byers
John A. Campion
The Hon. Barnett J. Danson, P.C.
A. Carlyle Dunbar
David A. Edmison
Hershell Ezrin
E. John Freyseng, Q.C.
Blake C. Goldring
Katie Hermant
Frederic L. R. Jackman, Ph.D.
Montague Larkin, C.A.
Marcia McClung
Bart J. Mindszenthy, A.P.R.
Nancy Paul
Angus Scott
Margaret Scrivener
Gareth S. Seltzer
C. Alexander Squires
Larry Stout
L. Douglas Todgham
John H. Tory
William G. Whittaker, Q.C.

I would particularly like to take this opportunity to pay tribute to those directors who have served so devotedly on our Board, but who we regret to announce will be retiring as Directors at their wish.

Col. Garry S. Thomson, C.D., AdeC has been a director since 1984 and has been particularly helpful on a number of committees not the least of which is to assist us whenever we have been involved in attempting to attract the Military to one of our speakers from NATO or the Chief of Defense Staff from Ottawa.

Maureen Sabia has been a director for only two years and due to some conflicts she is unable to continue, but I particularly would like to thank her for the outstanding job she did last year in helping to organize the very special Audrey Hepburn Day that we had on the last day of last year when we raised in excess of $80,000 in aid of UNICEF and The Empire Club Foundation. That contribution alone is worth a great deal more than most of us make here at The Empire Club in much longer periods of service.

It would be remiss of me not to mention the passing of our beloved Director Bud Hoffman who died on January 4th, 1990. For many, Bud was known as "Mr. Empire Club" as he chaired the Head Table Reception Committee for many years and I will never forget him as he was at my side when we hosted the President of the United States. There was no more devoted Empire Club director, nor a more patriotic Canadian who was never afraid to express himself at our meetings and he loved to regale us with his experiences. He will be sadly missed.

Your Nominating Committee is pleased to nominate unanimously the following new members for the Board of Directors:

Stewart Searle
President of Fairwater

Tom Spencer
Vice Chairman, Toronto Dominion Securities

Brent Snell
Consultant with Canada Consulting Group

Maria Roman
Director of Public Relations, The Lung Association

Peter Hendrick
Director of Wood Gundy

Eileen Mercier
Vice President of Corporate Development, Abitibi Price

Ed Badovinac
Professor, Electronic Technology, George Brown College

In addition to the above-mentioned nominees, your Committee also recommends the election to the Board of the following three persons who will be proposed to the Board of Directors for appointment to the posts of Vice-President:

1st Vice President
John F. Bankes

2nd Vice President
Robert C. Watt

3rd Vice President
Robert L. Brooks

I am sure they will follow in the fine tradition of this year's President, Ms. Sarah Band who did something that will likely not ever be duplicated again. She managed to open a new store, have a baby, and be an outstanding president of the Empire Club all in one year. A more appropriate tribute will be paid to her at a later dinner, but she has done one fine job.

Finally, your Committee is pleased to nominate for the Presidency of The Empire Club of Canada for its 1990-91 season, its 87th year, The Rev. Harold F. Roberts, C.D., AdeC.

The Rev. Harold Roberts is currently the Rector of St. Timothy's Church, Agincourt where he has been since 1984. He graduated from Trinity College with his Masters of Divinity in 1973 and has been involved in quite a number of parishes in the Diocese of Toronto, not the least of which was at Christ Church Deer Park from 1976 to 1978, where I had the privilege of serving with him. I can assure you that if he can handle that parish, he can handle almost anything.

He is married to Jan, who has finished a stint as being the

Executive Assistant to the Chief Executive Officer of Merrill Lynch, here in Canada.

Harold has had a long association with the Military and was the Chaplain for over ten years for the 48th Highlanders of Canada. He has been an Aide-de-Camp to the Lieutenant Governor of Ontario from 1971 to present and he is on a number of important committees with the Diocese of Toronto. Harold is a member of the RCYC and is a great sailor, and he also enjoys music, reading and travelling. He received the Queen's Silver Jubilee Medal in 1978 and is a Commander of merit of St. Lazarus of Jerusalem, which he received in 1986.

What I think is more important to all of us is that Harold joined the Empire Club in 1976 and was made a director in 1978. He was made an Associate Honorary Chaplain in 1987 and in 1989 he was elevated to First Vice-President.

With no disrespect to Sarah, or myself, we finally have a President who has gone through the Chairs. Harold has served on the Attendance Committee, Membership Committee, Head Table Invitation Committee, Head Table Reception Committee, Nominating Committee and the Protocol Committee. He chaired the Head Table and Invitation Committee in 1984 and 1985. Harold is a most dependable, likeable, first rate role model for this club. I know that we will all look forward to working with him.

Ladies and gentlemen, I am honoured to place Harold Roberts' name in nomination for the Presidency of The Empire Club for 1990-91. Your Nomination Committee is confident that he will provide the able leadership that has been characteristic of this Club since its founding.

Tony van Straubenzee moved acceptance, seconded by Blake Goldring. There being no further nominations, Gordon Steele moved that nominations be closed. Carlyle Dunbar seconded the motion.

The President then asked the Secretary, Willis Blair, to cast a single ballot in favour of those persons named in the report of the Nominating Committee, in accordance with Article III–3 of the Constitution of The Club. The President declared the members properly elected as directors of The Empire Club of Canada for 1990-91, the Club's 87th year. The meeting was adjourned.

# The Empire Club of Canada

## MEMBERSHIP 1989-1990

**Life Members**

N. John Adams
Setrak Adourian
J. D. Alexander
John P. Alexander
Dr. Blandford M. E. Allan
William N. Allan
Graham H. Ambrose
B.Gen. & Mrs. S. F. Andrunyk
Leland H. Ausman
Ruby P. Avison

John Bassett
Mr. & Mrs. Ian S. Baxter
D. S. Beatty
M. E. Louise Beck
Everton R. Belyea
Dr. R. C. Bennett
Ferne Bennett
Douglas W. Best
Bruce Birrell
Willis L. Blair
Norman Borins
R. L. Broad
F. B. Brooks-Hill
Arthur E. Brown

W. Allan Campbell
Mrs. Charles Carter
Sir Arthur R. T. Chetwynd
& Lady Chetwynd
Samuel Ciglen
James L. Clare, F.S.A., F.C.I.A.
Walter W. Comber
Mr. & Mrs. John Cook
George A. Corey
Benedict G. R. Cotterill
John A. D. Craig
Dr. H. V. Cranfield
Nola Susan Crewe
Dr. & Mrs. C.B. Crummey
Mrs. Matthew Currie

Virginia Dalla Rosa Prati
Charles O. Dalton
George C. Damiani
Douglas A. C. Davis
Elvio Del Zotto
Mr. & Mrs. D. L. Derry
Robert G. Douglas
A. A. Duncanson
E. B. Dungey
Mr. & Mrs. E. A. Duvernet

Joseph L. Etherington

Dr. David J. Fieldhouse
A. E. Fitzpatrick
Frank E. Forsdike
Federico Friedberg
Col. C.S. Frost, Jr., Q.C.
Hilliard I. Funston

Lillian G. Gandier
Richard R. C. Geary
George Raymond Gibson
David R. Gillelan
J. Rennie Graham
John W. Graham
Kenneth G. Graham
Patricia A. Grand
Wayne Scarisbrick Gray
Ian Griffin
John W. Griffin

B. Halstead
George S. Hanson

George M. Hargraft
Nona Macdonald Heaslip
Paul T. Hellyer
Roland E. Henderson
R. I. Hendy
Mr. & Mrs. J. T. Hepburn
Adam B. T. Hermant
John D. Hermant
Peter Hermant
Sydney Hermant
John D. Herrick
Col. R. H. Hilborn
William S. Hill
Dorothy Hobbs
Mr. & Mrs. Herbert R. Hobbs
Dennis Holota
Mrs. E. Howell

A.E.M. Inwood
John F. Irwin

Henry N. R. Jackman
W. Henry Jackman
John M. P. Joel
Norman M. Johnston
James H. Joyce
Friederich W. Jung

Elfreda W. Karn
John Kemp
F. Marion Kiddell
Christopher C. King
Rev. Sterling Kitchen

Aileen M. Lacey
James G. Laidlaw
A. T. Lambert
John V. Lawer
H. R. Lawson
Col. Wm. R. Learmonth
M.Gen. Bruce J. Legge
Eric N. Lehner
Friedrich Lehner
Gordon Lennox
James D. Lewis
R. G. Loftus
Mr. & Mrs. D. D. Lucas
Joseph F. Luciano

E. Nelson MacNab
John & Gail MacNaughton
C. John Martin
Beverley Matthews Q.C.
Major-General A. Bruce Matthews
Ewald P. Mazurek

Fred G. McBrien
John S. G. McCrimmon
James W. McCutcheon Q.C.
F. Y. McCutcheon
John T. McMurray
Konrad R. W. Mech
John D. Memory
Dr. Herbert Michel
Edwin Mirvish
D. M. Morrison
John S. Moses
D. V. Mosher
Mr. & Mrs. Clifford N. Moss
Clara Miriam Muskat

John F. Nagel
James G. A. Naish
Bernard T. Ness
Elias A. Noustas

Major & Mrs. R. B. Oglesby
Major A. S. Olver
Stanislaw T. Orlowski

Dr. James A. Parish
John A. Patton
Norman Pearson, F.R.T.P.I.
B. E. Plain
Dr. Ira Pollock
D. A. Pryer

Grant L. Reuber
John E. Richardson
Rev. Howard R. Rokeby-Thomas
Mrs. H. E. Roman-Barber
Professor Henry U. Ross
Col. The Hon. R. C. Rutherford

Leo E. Schacter, Q.C.
A.P.H. Schemmer Sr.
G. M. Sellar
J. A. Seyfried
Mrs. H. R. Shaver
Samuel V. Shefsky
Dr. & Mrs. W. K. Shultis
James R. Smeed
Albert Smith, Q.C.
Carleton Smith
Mrs. D. T. (Audrey) Smith
Sam Sniderman, C.M.
Dr. & Mrs. R. F. Stackhouse
G. O. Stafford
Henry J. Stalder
Mr. & Mrs. G. G. Steele
Dr. Peter Stingelin

Mrs. Edgar J. Stone
The Hon. J. A. Sullivan

Graham John Tappin
Mrs. Barton F. Teasdale
Kenneth M. Thomas
K. R. Thomson
Leonard I. Turkevics
R. Turnbull
Capt. T. C. Turner, C.D., R.C.N.R.
LCol. P. J. Tuz, C.M., C.D.
Harry T. Tye

Michael Van Denbossche
Dr. Devendra P. Varma

Gordon Waldie, Q.C.
Kenneth M. Watson
F. Bartlett Watt
Hebert L. Webb
Sydney G. Webster
Douglas S. Wells, O.M.C.
Phyllis Wheeler
J. K. Williams, Q.C.
Sydney Winkler
G. D. Wotherspoon

Andrew Stephen Zarnett

**Senior Members**

Elizabeth Addy
Harold G. Aggett
Mrs. M. Allworth-Johnston
Lanfranco Amato
Mrs. P. J. Ambrose
Rev. Harry Amey
William N. Anderson
K. B. Andras
Jas K. Angus
R.F.K. Anthony
Wm. D. Archbold
D. B. Astley

John T. Band
Gordon T. Batchelor
Evelyn Batten
K. J. Beamish
R. I. Beatty
Fred E. Becker
BGen. G. G. Bell, O.C., M.B.E., C.D.
Beatrice Bennett
Chf Judge C. E. Bennet
Mrs. A. Besko
W. Walter Bilbrough
L. C. Bonnycastle
Jessie K. Borthwick
W. A. Bowen
David C. Bradley
Isobel M. Breen
William B. Bremner
Maggie Brown
Alexander Budrevics
Hazel Burns
E. G. Burnside
M. B. Bursey
LCol G. A. Burton
Theda A. Burton
Frank Butler

Dorothea Carter
Arthur Brennan Carveth
William B. Cavan
Derek T. Chadwick
Mrs. H. M. Charlton
T. Millar Chase
Lane R. Chester
Thomas Chisholm
Mattie Clark
Miss H.A.L. Clark
James H. Clarke
K.H.J. Clarke
Max B. E. Clarkson
A.H.M. Claus Van Banning
Major F. N. Clifford
Tom Clifford
Noel Cogdon
Frances L. Cohen
J.C.P. Conrad
His Honour Judge F. J. Cornish
Mrs. W. C. Coupland
W. D. Cowan
John Cozens
L/Col J. D. Crashley, C.D., C.M.
Ronald J. Crichton
The Hon David A. Croll
Mary E. Crompton
W. B. Cross
Stanley Crow
Rita Culnan
James C. Currie

R. G. Dale, D.S.O., D.F.C., C.D.
Pauline Dale
Peter Dalglish
R. A. Daly
Hon. Barnett J. Danson
L. W. Davis

Harold B. Dean
Robert L. Denault
Lloyd E. Dingle
R. V. Doty
Douglas T. Doughty
C. R. Douglas
A. W. Downer
Peter K. Draimin
Helen K. Drake
Charles Duerdoth

Mabelle Eade
Samuel Eckler
Brian A. Edgar
Andrew J. Elder

W. C. Farrow
Allen Feig
Catherine Fenemore
Win Finlayson
Rhoda Finneron
Richard H. Fisher
R. J. Fleming
Henry Fliess
L.G.B. Flint

Elizabeth Gailey
Juergen Geber
Joseph J. Gelleny
Tadeusz Gonski
F. L. Gooderham
James J. Graham
Wm. John Greening
Keith E. Greenwood
Betty Griffin
S. Reginald Griffiths
Karl Gyaki

Norman S. Hall
Alfred H. L. Harris
R. Jack Harris
Isabel L. Healey
George A. Herring
W. J. Hines
Ying Hope
H. E. Hough
Adrian S. Hudson
John G. Hungerford
Yvonne Hunter
Barbara Macbeth Hurst
Dr. A. D. Hutchison

A. B. Irwin
C. Robert Ivey

Aileen Jackson
Bernice Jackson
Sidney L. Jaffe
E. B. Jolliffe, Q.C.
A.P.G. Joy, Q.C.
Douglas A. Joyce

Arthur A. Kee
Clayton Keefe
Mrs. T. E. Kent
James W. Kerr
T. A. King, Q.C.
Marie Knaul
L.H.G. Kortright
B. J. Kyle

Ken E. Lane
H. Peter Langer
Margaret Lant
W. Rowland Lloyd
John H. Lupp

George C. MacDonald
A. H. MacEachern
Robert M. MacIntosh
Robert K. Mackenzie
Marion E. MacLeod
George Mann
J. Douglas Manning
June Marks
Allen Marshall
S. W. Martin
Yuda Maryanka
Anthony V. Mason
Jennie McAnsh
Fred V. McCann
William S. McCartney
G. Chester McClure
W. H. McCormack
Col. F.F. McEachern
Capt. Dugald M. McGill, E.D.
Kenneth W. McGill
Colin J. McMechan
James B. McNabb
Pauline H. McPherson
Floyd A. Mead
Roy Meadows
Russell Merifield
Zaven Mesrobian
George H. Metcalfe
C. E. Michener
John W. Millar
Edward Miller
George E. Mills
John H. Milnes

Rose Montpetit
G. A. Morizet-McDonald
Russell J. Morrison
James Leslie Morrow
Mrs. R.W.G. Murray

Irwin Noble
J. Brian O'Neil

Alfred U. Oakie
Edmunds Ozols

E. J. Parker
William E. Patterson
P.B.C. Pepper
Bert Petlock
Capt. E. M. Peto
E. T. Pherrill
Leslie Phillips
Elsie I. Pilarek
E. B. Pinnington
William Poy
James B. Prendergast
H. R. Prince
Fran Pringle
Dr. Z. Przygoda
Dr. V. W. Purdy

Donald P. Read
J. F. Reason
Militza Reial
L. M. Reilly
Marguerite Risebrough
Walter Roberts
William E. Rollason

Dr. R. B. Salter
Freda Sauder
R. J. Schonberg
Angus C. Scott
Lynne R. Scott
R. Harvey Self
Wm. S. Sewell
Thomas J. Sexton
Mrs. Jack Shehab
Oscar T. Sigsworth
Mrs. R. Simpson
V. Sirois
Ross V. Smiley
Mrs. T. O. Smith
Reverend Allan Smith
W. Peter Smith
Shael S. Sone
R. H. Soward
Alice Spencer
Friedrich Steinke
Eileen R. Stevens
J. Ross Stewart
William A. Stewart
Stefan W. Stillich
Maj. George D. Suzuki, C.D.

P. H. Taylor
Henri Tellier
Blair W. Thompson
Joan Thompson
Hans Traber
W. G. Turnbull
John T. Valiant
I. N. Van Nostrand
Nora E. Vaughan
F. Alan Venn

George H. Wagner
David T. Wakefield
The Rev. Cecil J. Walker
Thomas A. Wardle
Shirley Warner
E. W. Warren
George S. Wegg
Doris M. White
A.C.L. Wildman
Rev. Ridley Williams
Mary L. Williss
Thomas B. Wilson
Connie Wood
James Wood
George W. Woods
James R. Wright
Pamela Wright
H. L. Wyatt

Omelian B. Yarey
William B. Yeats

**Regular Members**

Very Rev. S. D. Abraham
D. S. Affleck
H. H. Alexander
Beverly Allen
Doug Allen
Junichi Amano
John Ambrose
A. A. Amos
Dr. Zenobia Andrusyszyn
Paul F. Anisman
Wm. L. Archer, Q.C.

B. Armstrong
G. Warren Armstrong
Robert Armstrong
Edward S. Arnold
Andrea Arseneault
Toni Ashton
Brenda J. Atkey
Robert H. Aylward
A. M. Aymong

John H. Bailey
Gordon R. Baker
Gordon Baker
Samuel R. Baker
Thomas C. H. Baldwin
Norman E. Balfour
Sarah Band
Jacqueline Jean Baptiste
Nigel J. Barber
Edward John Barker
C. S. Barltrop
John P. Barratt
Phillip E. Barron
Joyce Barslow
Trevor Bartram
Douglas Bassett
Robert Bathgate
Robert N. Baugniet
Mary Ann Baynes
Rev. Kimberley J. Beard
A. Beattie, Q.C.
Nuala Beck
Cynthia Bedborough
E. E. Bekhor
Francine Belanger
J.A.G. Bell
Michael J. Bell
David Bellamy
Dianne J. Bellemare
John N. Belyea
Hy Bergel
William W. Berghuis
Al Bernadine
Andrew J. Bertram
Gregory A. Bewsh
M. Bhar
Peter A.E. Bethlenfalvy
J. L. Biddell
Sam Billich
Martha G. Blackburn
Douglas K. Blair
Florence L. Blair
P.J.M. Bloemen
Graham D. (Sam) Blyth
G. Douglas Bonner

P. A. Bonyun
Geoffrey L. Boone
Angela Boorne
Richard H. Booth
Paul Boreham
Edward Borins
Norman Borski Q.C.
William B. Bot
Peter S. Boultbee
Jean Louis Bourbeau
Tim A. Bowman
C. Blaine Bowyer
Roger Boyajian
Louise M. Boyd
Lydia M. Boyko
P. A. Bracken
Christopher G. Bradley
Terrence Brady
J. Lorne Braithwaite
Reg. F. Breaker
L. Brebner
R. John Bridges
Fredelle Brief
Charles F. Broad
Malcolm J. Broadbent
W. H. Broadhurst
Robert L. Brooks
Ota Browne
Eve Brummer
David Brune
R. Bruce Bryden
George M. Bryson
G. Buchan Terrell
Dr. Bernd Buffo
Sarmite D. Bulte
Pearce Bunting
Yovhan Burega
H. T. Burgess
Grover C. Burgis
H. Michael Burns
Jeffrey Burns
Leslie G. Burns
Edward Burrow
Eleanor J. Burton
Richard S. Buski
Len M. Buth
S. L. Butkovic
James E. Butler
David R. Byers
Mary R. Byers
B. Mae Byrne, C.A.

Donald Ross Cameron, Q.C.
Cmdr. John J. Cameron
Dr. D. R. Cameron

LCol. A. G. Cameron
S. Scott Cameron
Etienne Cammaert
Linda A. Camp
C. J. Campbell
Mac D. Campbell
Mona Campbell
R. A. Campbell
John A. Campion
D.D.B. Cane
Georg Canisius
Georgina Cannon
Joe Cappe
Donald H. Carlisle
Tony Carlson
Julie Carmichael
Nancy Carnwath
Roy Carscadden
Hugh M. Carter
Peter Case
T. I. Catcher
Col. John Catto, C.D.
Garry W. Caughlin
Diane Chabot
William Chambers
Diana Chant
Dixon S. Chant
Catherine R. Charlton
Peggy Charlton
J. T. Chestnutt
Thomas Child
Huntly Christie
Dr. C. Chruszez
Bruce Hamilton Clark
E. G. Clark
Paul D. J. Clark
Peter J. Clarke
W. J. Clarke
John H. C. Clarry
J. B. Clements, Q.C.
Helen J. Cochrane
Margaret Cocks
J. M. Wayne Code
J. H. (Harry) Cogill
John C. Cohen
J. A. Collins
George A. Cook
Bryan F. Cooke
W. J. (Bill) Cooke
Clive Coombs
Virginia Cooper
William A. Corbett, Q.C.
Lilly L. Corewyn
E. Kendall Cork
Alan H. Cornwall
Joan M. Costa
G. G. Cotnam
Teodor Cotnareanu
D. B. Cowper
Anthony Cox
Michael S. Coyner
John William Craig
Roy W. Craik
Donald Cranston
Paul F. Crath
R. W. Crawford
J. Douglas Creighton
J. S. Crichton
F. Martin Crispo
Richard V. Critchley
Katharine Crossgrove
Hugh Crosthwait
Noel Croxon
Norma Croxon
Tony Cullen
Taimi Cushing
Kalman N. Czegledy

Thomas P. D'Aquino
Timothy Daciuk
Paul Dale
John Dalton
William R. P. Dalton
S. Darveshali
R. G. Davey
Rodica David, Q.C.
S. J. Davidson
R. K. Davies
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Dr. & Mrs. F. J. Martyniuk
Mr. & Mrs. Les May
Mr. & Mrs. Jos. C. McCarthy
Mr. & Mrs. McConnell
Mr. & Mrs. J. D. McFadyen
Mr. & Mrs. Wm. McGuigan
Mr. & Mrs. Winfield C. McKay
Mr. & Mrs. Ross McKee
Mr. & Mrs. R. J. McVicar
Mr. & Mrs. Henry Meller
Mr. & Mrs. S. J. Mendelson
Mr. & Mrs. D.G.C. Menzel
Mr. & Mrs. R. J. Middleton
Mr. & Mrs. M. Mikola
Mr. & Mrs. C. Danny Missios
Mr. & Mrs. N. B. Monteith
Mr. & Mrs. Morawski
Mr. & Mrs. W. F. Morneau
Mr. & Mrs. James L. Morris
Mr. & Mrs. Wolfgang Mueller
Mr. & Mrs. Keith Muller
Mr. & Mrs. Peter Munk
Mr. & Mrs. A. P. Murphy
Mr. & Mrs. Noordin Nanji
Dr. & Mrs. G. B. Nichols
Mr. & Mrs. K. Nicholson
Mr. & Mrs. H. Nussbaum

Mr. & Mrs. Juan A. Ona
Geraldine C. Anderson & Brian Orr

Mr. & Mrs. D. Papavramidis
Mr. & Mrs. L. C. Parkinson
Mr. & Mrs. Vincent P. Paul
Mr. & Mrs. Martin Petlock
Rev. C. R. & Ida Plaskett
Mr. & Mrs. Douglas R. Porter
Mr. & Mrs. Poruks
The Hon. Mr. Justice J. H. Potts &
Mrs. Potts
Mr. & Mrs. J. H. Prenger
Mr. & Mrs. Robert Price

Mr. & Mrs. Berci Raanani
Mr. & Mrs. Wm. E. Raney
Mr. & Mrs. Forrest Rankine
Mr. & Mrs. Richard John Reeves
Mr. & Mrs. J. Reid Weston
Mr. & Mrs. E. G. Reynolds
Mr. & Mrs. Paul Reynolds
Mr. & Mrs. Ross B. Reynolds
Mr. & Mrs. R. T. Rhodes
Rev. & Mrs. H.F. Roberts
Mr. & Mrs. Edward S. Rogers
Mr. & Mrs. Louis Ronson
Mr. & Mrs. Lourdes Rouse
Mr. & Mrs. G. H. Rutledge

Mr. & Mrs. T. H. Salisbury
Mr. & Mrs. Paul Samson
Mr. & Mrs. Thomas H. Savage
Mr. & Mrs. Jaan Schaer
Mr. & Mrs. P. H. Scrivener
Mr. & Mrs. Daniel J. Scully
Mr. & Mrs. John Seltzer
Mr. & Mrs. H. T. Seymour
Mr. & Mrs. Edward Shiller
Mr. & Mrs. James Simmons
Mr. & Mrs. William I. Smith
Mr. & Mrs. Robert S. Spencer
Dr. & Mrs. A. Squires
Marie Corbett & Alex Squires
Mr. & Mrs. G. M. Steele
Mr. Justice & Mrs. D. R. Steele
Dr. & Mrs. D. A. Stewart
Mr. & Mrs. M.J.K. Stewart
Mr. & Mrs. Fred C. Stokes
Mr. & Mrs. J. Victor Stokes

Mr. & Mrs. Larry Stout
Mr. & Mrs. Max P. Strebel
Mr. & Mrs. Walt E. Stracey
Mr. & Mrs. A. K. Stuart
Mr. & Mrs. Gordon S. Sutton

Mr. & Mrs. Peter J. Taggart
Mr. & Mrs. Elmar Tampold
Mr. & Mrs. A. R. Taylor
Mr. & Mrs. Tom Taylor
Mr. & Mrs. Peter Teresko
Mr. & Mrs. Nizar Tharani
Mr. & Mrs. Louis R. Thomas

Mr. & Mrs. A. A. van Straubenzee
Mr. & Mrs. M. van Straubenzee
Mr. & Mrs. C. Vanstone
Mr. & Mrs. M.J.V. Warrender
Mr. & Mrs. Waslyk
Rev. & Mrs. J. Robert Watt
Mr. & Mrs. Peter A. Webb
Dr. & Mrs. Edwin L. Weinstein
Mr. & Mrs. Joseph Wellman
Mr. & Mrs. David Whalen
Mr. & Mrs. William F. White
Mr. & Mrs. J. A. Wm. Whiteacre
Mr. & Mrs. Wm. G. Whittaker
Mr. & Mrs. Roland Widmark
Mr. & Mrs. John B. Wilkes
Mr. & Mrs. R. Wilson
R. A. Sanders & Marie Wilson
Mr. & Mrs. G. A. Wright

Dr. & Mrs. Klaus M. Zeitler

**Student Members**

Susan M. Barclay
Laurie J. L. Belyea

Kevin Forrest

Ross Guercio

Ian G. Howey-MacInnis

Laszlo G. Jobbagy

Ellen E. Kolbert

Russell Lovekin

Gregory S. Marshall
Thomas R. McIver

Daniel Nelson

Craig Julien Sangster
Christopher Stathousis

Philip A. Thompson

William Warburton

Andrew Zalvin

# Auditor's Report

To the Members of
The Empire Club of Canada

We have audited the balance sheet of The Empire Club of Canada as at April 30, 1990 and the statements of members' equity and revenue and expenditure for the year then ended. These financial statements are the responsibility of the Club's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Club as at April 30, 1990 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

SMITH, NIXON & CO.
Chartered Accountants

Toronto, Ontario
December 3, 1990

# Financial Report

## THE EMPIRE CLUB OF CANADA

### Balance Sheet as at April 30, 1990

| **Assets** | 1990 | 1989 |
|---|---|---|
| *Current* | | |
| Cash and short-term deposit receipts | $ 212,060 | $ 226,003 |
| Accounts receivable | 2,626 | 9,139 |
| Inventory | 973 | 679 |
| | 215,659 | 235,821 |
| *Fixed Assets* | 1 | 1 |
| | $ 215,660 | $ 235,822 |
| **Liabilities** | | |
| *Current* | | |
| Accounts payable | $ 18,647 | $ 46,939 |
| Due to The Empire Club Foundation | 36,888 | 36,888 |
| Provision for prepaid membership fees and unredeemed luncheon tickets | 4,862 | 7,691 |
| | 60,397 | 91,518 |
| **Members' Equity** | | |
| *Surplus* | 132,413 | 120,504 |
| *Life Membership Reserve* (Note 2) | 22,850 | 23,800 |
| | 155,263 | 144,304 |
| | $ 215,660 | $ 235,822 |

Signed on behalf of the Board

Margaret Scrivener
Director

Diana L. Chant
Director

*The accompanying notes are an integral part of these financial statements.*

# THE EMPIRE CLUB OF CANADA

## Statement of Members' Equity
## for the Year Ended April 30, 1990

| | 1990 | 1989 |
|---|---|---|
| *Surplus, Beginning of Year* | $ 120,504 | $ 115,993 |
| Transfer from (to) life membership reserve | 950 | (150) |
| Excess of revenue over expenditure for the year | 10,959 | 4,661 |
| *Surplus, End of Year* | $ 132,413 | $ 120,504 |
| *Life Membership Reserve, Beginning of Year* | $ 23,800 | $ 23,650 |
| Transfer (to) from surplus (note 2) | (150) | 150 |
| *Life Membership Reserve, End of Year* | $ 22,850 | $ 23,800 |

*The accompanying notes are an integral part of these financial statements.*

# Financial Report

## THE EMPIRE CLUB OF CANADA

### Statement of Revenue and Expenditure for the Year Ended April 30, 1990

| | 1990 | 1989 |
|---|---|---|
| *Revenue* | | |
| Membership fees | $ 61,166 | $ 56,001 |
| Luncheons – net | 52,197 | 36,091 |
| Interest | 25,633 | 20,084 |
| Others – net | 4,502 | 4,476 |
| | 143,498 | 116,652 |
| *Expenditure* | | |
| Members' notices | 19,509 | 21,644 |
| Office salaries and employee benefits | 26,644 | 25,519 |
| Yearbook donation and sundry expenses | 51,522 | 11,020 |
| Publicity and promotion | 3,462 | 5,947 |
| Printing, stationery and postage | 7,650 | 8,704 |
| Rent | 11,459 | 9,958 |
| Meetings | 3,242 | 5,469 |
| Office and general | 6,580 | 21,648 |
| Telephone | 2,471 | 2,082 |
| | 132,539 | 111,991 |
| *Excess of Revenue Over Expenditure for the Year* | $ 10,959 | $ 4,661 |

*The accompanying notes are an integral part of these financial statements.*

# Financial Report
# THE EMPIRE CLUB OF CANADA
## Notes to Financial Statements
## for the Year Ended April 30, 1990

1. *Significant Accounting Policies*

   (a) Revenue Recognition

   Membership fees for the Club are recorded on a cash basis except fees relating to the next fiscal year are deferred. All other revenues are recorded on the accrual basis of accounting.

   (b) Inventory

   Inventory is valued at the lower of cost and net realizable value.

   (c) Fixed Assets

   Fixed assets, consisting of office furniture and equipment, are recorded at nominal value and additions are recognized as an office and general expenditure in the year acquired.

   (d) Due to The Empire Club Foundation

   A donation to The Empire Club Foundation for the estimated cost of supplying the Club's membership with the yearbook of the current year is accrued each year. The balance includes the estimated costs of unpublished yearbooks.

2. *Life Membership Reserve*

   Term deposit receipts are segregated as funding for this reserve in order to provide a continuing income to sustain the membership costs of life members. The reserve has been decreased by $950 (1989 - increased by $150) in the current year to allow for decreases in the life membership roll.

3. *Commitment*

   The Club occupies office space under a lease agreement expiring September 30, 1992.

4. *Comparative Figures*

   Certain comparative figures have been reclassified to conform with the current year's presentation. The excess of revenue over expenditure for the year previously reported has not been affected by this reclassification. The comparative figures were reported on by other auditors.

5. *Incorporation*

   The Club was incorporated under Letters Patent in the Province of Ontario on March 26, 1912. The principal function of the Club is to provide a forum for prominent people to address members of the Club and their guests on topics of current interest.

# The Empire Club Foundation

June, 1991

Ladies and Gentlemen,

The 1989-1990 fiscal year was a challenging one for the Empire Club Foundation.

A number of problems were discovered where the solution required determined and skillful work. The Honourary Solicitor of the Foundation, Bill Whiteacre, and our Secretary-Treasurer, Ronald Goodall, rose to the occasion. By year-end all was well.

As a result of the difficulties, fund-raising activities had to be suspended for most of the year. Happily the Empire Club responded with a very generous donation that enabled us to carry-on with the publication of our yearbook.

With special thanks to Messieurs Whiteacre and Goodall for their work, to the Officers and Directors of the Empire Club for their generosity, and to the Officers and Directors of the Foundation for their support during an uncertain period, we are able to add the Sarah Band yearbook to a collection that has now been published continuously since 1904.

We are proud to perpetuate this worthy tradition.

Yours sincerely,
"John A. MacNaughton"
Chairman

**Officers**

Honorary President: The Rt. Hon. Roland Michener, PC,CC,CMM,QC
Chairman: John A. MacNaughton
Vice-Chairmen: H.N.R. Jackman
R.W. Lewis, CMM,CM,CD
Hartland M. MacDougall, CM
Honorary Solicitor: J.A. William Whiteacre, MM,CD,QC
Honorary Treasurer: Ronald Goodall, FCA
Past Chairmen: John W.F. Griffin
Bruce J. Legge, CMM,CM,QC
Robert H. Hilborn, LVO,MBE,CD

**Directors**

Robert L. Armstrong
Warren Armstrong
Paul D.J. Clark
C. Warren Goldring
Peter Hermant
Peter W. Hunter, CD
Arthur J. Langley, CD
H. Ian Macdonald, OC,KLJ, BComm, MA,B.Phil,LLD
Nona Macdonald
Frank F. McEachren, CVO,CM,ED
David G.C. Menzel, QC
Harry T. Seymour
Anthony A. van Straubenzee
John M. Thompson

Registration Number 0353532-21-13

# The Empire Club Foundation

## CONTRIBUTORS: 1989-1990

### PATRONS ($1,000.00 or more)

Griffin, John W. F.
Lawson, Harold R.
The Right Hon. Roland Michener, P.C., C.C.

### ENDOWMENT BENEFACTORS ($500.00 TO $999.99)

Hermant, Sydney

### BENEFACTORS ($300.00 to $499.99)

Armstrong, R. L.
Canadian Reinsurance Company
Jack Cooper Family Foundation
The Hon. Barnett J. Danson, P.C.
Freyseng, E. J., Q.C.
Langley, Ruth E. H.
Lewis, R. W.

### DONORS ($100.00 TO $299.99)

Brace, A. Barry
Cranfield, Dr. H. V., M.D.
Wendy Cecil-Cockwell
Derry, D. L., F.C.A.
Franklin, Alexander
Grosart, Mr. & Mrs. John
Huycke, F. Arthur
Lupp, John H.
Partington, Eric
The Hon. Mr. Justice J. H. Potts, C.D.
Reeves, Robert L.
Ross, G.
Saunders, Edward
Smith, Selene
Thompson, John M.
Wilfert, Bryon J. D.

# Auditor's Report

To the Members of
The Empire Club Foundation

We have examined the balance sheet of The Empire Club Foundation as at April 30, 1990 and the statement of income and expense and members' equity for the year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Empire Club Foundation as at April 30, 1990 and the results of its operations for the year then ended in accordance with the accounting principles outlined in Note 2, applied on a basis consistent with that of the preceding year.

"SMITH, NIXON & CO."
Chartered Accountants

TORONTO, October 29, 1990

# THE EMPIRE CLUB FOUNDATION

## Balance Sheet as at April 30, 1990

| | 1990 | 1989 |
|---|---|---|
| **Assets** | | |
| *Current Assets* | | |
| Cash and term deposits | $ 95,602 | $ 129,028 |
| Accounts and interest receivable | 207 | 10,004 |
| Due from Empire Club of Canada | 36,888 | 36,888 |
| | $ 132,697 | $ 175,920 |
| **Liabilities** | | |
| *Current Liabilities* | | |
| Accounts payable and accrued liabilities | $ 112,617 | $ 171,730 |
| **Members' Equity** | | |
| *Equity* | 20,080 | 4,190 |
| | $ 132,697 | $ 175,920 |

Signed on behalf of the Board

"John A. MacNaughton"
Director

"Ronald Goodall"
Director

*The accompanying notes are an integral part of these financial statements.*

# THE EMPIRE CLUB FOUNDATION

## Statement of Income and Expense and Members' Equity for the Year Ended April 30, 1990

| | 1990 | 1989 |
|---|---|---|
| *Income* | | |
| Donations: | | |
| Empire Club of Canada | $ 50,000 | $ 10,000 |
| Supporters | 10,473 | 39,845 |
| The Audrey Hepburn Dinner | — | 11,231 |
| Interest | 5,095 | 3,496 |
| | 65,568 | 64,572 |
| *Expense* | | |
| Yearbook | 46,983 | 74,319 |
| Stationery, postage and other expenses | 2,695 | 2,140 |
| | 49,678 | 76,459 |
| *Excess of Income Over Expense (Expense Over Income) for the Year* | 15,890 | (11,887) |
| *Members' Equity - Beginning of Year* | 4,190 | 16,077 |
| *Members' Equity - End of Year* | $ 20,080 | $ 4,190 |

*The accompanying notes are an integral part of these financial statements.*

# THE EMPIRE CLUB FOUNDATION

## Notes to Financial Statements for the Year Ended April 30, 1990

1. *The Foundation*

   The Foundation was incorporated on January 22, 1969 under the laws of Canada as a non-profit organization. The principal function of the Foundation is the publication and distribution of yearbooks, containing the texts of addresses to the Empire Club of Canada, to the Club's members and libraries across Canada. The Foundation's activities are funded by donations.

2. *Accounting Policies*

   The Foundation includes donations in income when received except for donations from the Empire Club of Canada which are included in income when pledged. The estimated cost of publishing and distributing yearbooks of the current year is accrued each year.